

THEEWATERSKLOOF

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Theewaterskloof Municipality includes the following areas:

| | |
|------------------------|----------------------|
| <i>Caledon</i> | <i>Greyton</i> |
| <i>Grabouw</i> | <i>Genadendal</i> |
| <i>Villiersdorp</i> | <i>Botrivier</i> |
| <i>Riviersonderend</i> | <i>Tesselaarsdal</i> |

MEMBERS OF THE MAYORAL COMMITTEE

| | |
|------------------------|--------------------------|
| Executive Mayor | Mr. C. Punt |
| Deputy Executive Mayor | Mr. M. Tshaka |
| Executive Councillor | Mr. N.H. De Wet |
| Executive Councillor | Mr. G.E.M. Carelse |
| Executive Councillor | Mrs. P.U. Stanfliet |
| Executive Councillor | Mr K Papier |
| Executive Councillor | Mrs. C. Vosloo (Speaker) |

MUNICIPAL MANAGER

Mr. H.S.D. Wallace

CHIEF FINANCIAL OFFICER

Mr. D Louw

REGISTERED OFFICE

6 Plein Street, CALEDON, 7230

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon. 7230

ATTORNEYS

Bosman & Smit
Fairbridges Attorneys
Herold Gie Attorneys
IAJ Malherbe Incorporated
Johnson Kuun & Co
Cloughton & Wehmeyer
Guthrie & Theron
Du Plessis & Mostert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

THEEWATERSKLOOF MUNICIPALITY

MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

| WARD | COUNCILLOR |
|--------------|-----------------------|
| 1 | Mr. K.R. Tiemie |
| 2 | Mrs. M.L. Hector |
| 3 | Mr K Papier |
| 4 | Mrs M.M. Koegelenberg |
| 5 | Mr. N.H. De Wet |
| 6 | Mrs. J. Nellie |
| 7 | Mrs. P.U. Stanfliet |
| 8 | Mrs. C.V. Thembani |
| 9 | Mr. N. Pieterse |
| 10 | Mrs. M. Plato |
| 11 | Mr M Mathews |
| 12 | Mr. U.T. Sipunzi |
| 13 | Mr. M Tshaka |
| Proportional | Mr. C Punt |
| Proportional | Mrs. C. Vosloo |
| Proportional | Mr. G.E.M. Carelse |
| Proportional | Mr. C.D. November |
| Proportional | Mr. I.M. Sileku |
| Proportional | Mr. P. De Wet |
| Proportional | Mrs. F.V. Mankayi |
| Proportional | Mr J.P. Hendricks |
| Proportional | Mrs. S.R. Witbooi |
| Proportional | Mr. M.R. Nongxaza |
| Proportional | Mr J. van Niekerk |

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. H.S.D. Wallace
Municipal Manager

31 August 2014
Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

| | Notes | 2014 | 2013 |
|--|-------|--------------------|--------------------|
| | | R | R |
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 631 437 464 | 532 899 042 |
| Capital Replacement Reserve | 2 | 6 499 770 | 499 770 |
| Revaluations Reserve | 2 | 81 275 442 | 41 091 455 |
| Social Contribution Reserve | 2 | 55 278 | 55 278 |
| Accumulated Surplus | | 543 606 974 | 491 252 539 |
| Non-Current Liabilities | | 179 052 920 | 165 533 703 |
| Long-term liabilities | 3 | 110 090 615 | 105 788 042 |
| Employee benefits | 4 | 42 733 220 | 34 765 580 |
| Non-current provisions | 5 | 26 229 085 | 24 980 081 |
| Current Liabilities | | 66 586 941 | 69 815 909 |
| Consumer deposits | 6 | 3 659 875 | 3 306 227 |
| Current Employee benefits | 7 | 13 897 836 | 12 700 308 |
| Payables from exchange transactions | 9 | 39 388 135 | 39 664 583 |
| Unspent conditional government grants and receipts | 10 | 823 297 | 4 667 034 |
| Unspent Public Contributions | 11 | 488 399 | 862 120 |
| Taxes | 12.1 | 1 355 492 | 1 636 956 |
| Operating lease liability | 22.1 | - | - |
| Current portion of long-term liabilities | 3 | 6 973 907 | 6 978 681 |
| Total Net Assets and Liabilities | | 877 077 325 | 768 248 654 |
| ASSETS | | | |
| Non-Current Assets | | 800 803 934 | 703 917 243 |
| Property, plant and equipment | 13 | 640 604 516 | 556 571 182 |
| Capitalised restoration costs | 14 | 89 363 | 136 945 |
| Investment property | 15 | 158 512 813 | 145 291 764 |
| Intangible assets | 16 | 1 573 385 | 1 892 950 |
| Heritage Assets | 17 | - | - |
| Long-term receivables | 18 | 23 857 | 24 402 |
| Current Assets | | 76 273 391 | 64 331 411 |
| Inventory | 19 | 2 282 251 | 1 921 526 |
| Receivables from exchange transactions | 20 | 12 277 605 | 15 419 014 |
| Receivables from non-exchange transactions | 21 | 15 467 002 | 11 679 691 |
| Unpaid conditional government grants and receipts | 10 | 6 313 484 | 2 377 909 |
| Operating lease asset | 22.1 | 489 252 | 442 097 |
| Taxes | 12.2 | 1 219 981 | 4 940 903 |
| Current portion of long-term receivables | 18 | 5 429 | 5 356 |
| Cash and cash equivalents | 23 | 38 218 387 | 27 544 916 |
| Total Assets | | 877 077 325 | 768 248 654 |

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | 2014 R | 2013 R | Correction of Error - Note R | 2013 (Previously reported) R |
|---|-------|--------------------|--------------------|------------------------------------|------------------------------------|
| REVENUE | | | | | |
| Revenue from Non-exchange Transactions | | 273 005 490 | 226 998 173 | 2 517 906 | 224 480 267 |
| Taxation Revenue | | 58 673 002 | 47 606 616 | - | 47 606 616 |
| Property taxes | 24 | 58 673 002 | 47 606 616 | - | 47 606 616 |
| Transfer Revenue | | 155 960 279 | 147 125 821 | - | 147 125 821 |
| Government Grants and Subsidies | 25 | 154 611 729 | 146 123 243 | - | 146 123 243 |
| Public Contributions and Donations | 26 | 1 299 050 | 1 002 578 | - | 1 002 578 |
| Donations for Property, Plant and Equipment | | 49 500 | - | - | - |
| Other Revenue | | 58 372 209 | 32 265 736 | 2 517 906 | 29 747 830 |
| Actuarial Gains | | 166 803 | 1 363 962 | - | 1 363 962 |
| Third Party Payments | | 226 910 | 401 174 | - | 401 174 |
| Fines | | 29 835 408 | 7 983 765 | 2 517 906 | 5 465 859 |
| Fair Value Adjustments | 29 | 28 143 088 | 22 516 835 | - | 22 516 835 |
| Revenue from Exchange Transactions | | 166 246 978 | 151 279 952 | (1 517 477) | 152 797 429 |
| Service Charges | 27 | 142 531 766 | 131 758 373 | (209 123) | 131 967 496 |
| Rental of Facilities and Equipment | | 1 936 232 | 1 408 882 | (1 308 354) | 2 717 236 |
| Interest Earned - external investments | | 2 903 978 | 2 407 250 | - | 2 407 250 |
| Interest Earned - outstanding debtors | | 9 267 473 | 7 616 931 | - | 7 616 931 |
| Licences and Permits | | 2 635 096 | 2 625 949 | - | 2 625 949 |
| Agency Services | | 2 189 056 | 1 956 810 | - | 1 956 810 |
| Other Income | 28 | 4 473 590 | 3 505 757 | - | 3 505 757 |
| Gain on disposal of Property, Plant and Equipment | | 309 787 | - | - | - |
| Total Revenue | | 439 252 468 | 378 278 125 | 1 000 429 | 377 277 696 |
| EXPENDITURE | | | | | |
| Employee related costs | 30 | 122 420 691 | 107 707 329 | - | 107 707 329 |
| Remuneration of Councillors | 31 | 8 203 131 | 7 410 014 | - | 7 410 014 |
| Debt Impairment | 32 | 47 239 932 | 22 703 382 | - | 22 703 382 |
| Depreciation and Amortisation | 33 | 10 283 579 | 8 466 350 | - | 8 466 350 |
| Impairments | 34 | 22 532 038 | 89 844 857 | - | 89 844 857 |
| Repairs and Maintenance | | 18 412 044 | 17 849 287 | - | 17 849 287 |
| Actuarial losses | 4 | 4 183 018 | 256 662 | - | 256 662 |
| Finance Charges | 35 | 12 742 096 | 12 779 822 | - | 12 779 822 |
| Bulk Purchases | 36 | 50 043 145 | 45 334 371 | - | 45 334 371 |
| Contracted services | | 15 599 464 | 13 183 117 | (1 308 354) | 14 491 471 |
| Grants and Subsidies | 37 | 823 890 | 782 625 | - | 782 625 |
| Operating Grant Expenditure | 38 | 39 389 275 | 9 587 883 | - | 9 587 883 |
| General Expenses | 39 | 28 684 429 | 26 542 228 | - | 26 542 228 |
| Loss on disposal of Property, Plant and Equipment | | 341 301 | 1 300 370 | - | 1 300 370 |
| Total Expenditure | | 380 898 033 | 363 748 297 | (1 308 354) | 365 056 651 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | 58 354 435 | 14 529 828 | 2 308 783 | 12 221 045 |

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

| | Revaluations Reserve | Capital Replacement Reserve | Social Contribution Reserve | Accumulated Surplus/ (Deficit) | Total |
|---|---------------------------------|--|--|---|--------------------|
| | R | R | R | R | R |
| Balance at 30 JUNE 2012 | 11 422 657 | - | 55 278 | 460 590 024 | 472 067 959 |
| Correction of error - Note - 40.04 | | - | - | 16 632 457 | 16 632 457 |
| Restated balance at 1 JULY 2012 | 11 422 657 | - | 55 278 | 477 222 481 | 488 700 417 |
| Net Surplus for the year | - | - | - | 14 529 828 | 14 529 828 |
| Revaluation of PPE | 29 668 798 | - | - | - | 29 668 798 |
| Transfer to/from reserves | - | 499 770 | - | (499 770) | - |
| Balance at 30 JUNE 2013 | 41 091 455 | 499 770 | 55 278 | 491 252 539 | 532 899 043 |
| Net Surplus for the year | - | - | - | 58 354 435 | 58 354 435 |
| Revaluation of PPE | 40 183 987 | - | - | - | 40 183 987 |
| Property, Plant and Equipment purchased | - | - | - | - | - |
| Transfer to/from reserves | - | 6 000 000 | - | (6 000 000) | - |
| Balance at 30 JUNE 2014 | 81 275 442 | 6 499 770 | 55 278 | 543 606 974 | 631 437 465 |

THEEWATERSKLOOF MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 | 2013 |
|--|--------------|---------------------|---------------------|
| | Notes | R | R |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Ratepayers and other | | 197 827 328 | 162 862 217 |
| Government grants | | 146 908 415 | 141 135 247 |
| Public Contributions | | 925 329 | 1 697 464 |
| Interest | | 12 171 451 | 10 024 181 |
| Payments | | | |
| Suppliers and employees | | (277 467 986) | (209 598 039) |
| Finance charges | 35 | (12 742 096) | (12 779 822) |
| Transfers and Grants | | (823 890) | (782 625) |
| Cash generated by operations | 41 | 66 798 551 | 92 558 623 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 13 | (62 946 682) | (88 322 664) |
| Proceeds on Disposal of Fixed Assets | | 1 584 369 | 8 398 109 |
| Purchase of Intangible Assets | 16 | - | (78 553) |
| Decrease in Long-term Receivables | 18 | 585 787 | 12 680 |
| Net Cash from Investing Activities | | (60 776 528) | (79 990 428) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loans repaid | | (6 977 661) | (6 521 067) |
| New loans raised | | 11 275 461 | 22 600 |
| Increase in Consumer Deposits | | 353 648 | 61 459 |
| Net Cash from Financing Activities | | 4 651 448 | (6 437 008) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 10 673 471 | 6 131 189 |
| Cash and Cash Equivalents at the beginning of the year | | 27 544 916 | 21 413 727 |
| Cash and Cash Equivalents at the end of the year | 42 | 38 218 387 | 27 544 916 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 10 673 471 | 6 131 189 |

THEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

| | 2014 R (Actual) | 2014 R (Final Budget) | 2014 R (Variance) | Explanations for material variances |
|--|-----------------------|-----------------------------|-------------------------|--|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 11 250 981 | 15 052 | 11 235 929 | Loans of previous year that was not taken up has been raised |
| Call investment deposits | 26 967 406 | - | 26 967 406 | |
| Consumer debtors | 12 277 605 | 42 323 608 | (30 046 003) | More bad debt were written off than budget for, which also affected the calculation for impairments |
| Other Receivables | 23 489 720 | 3 000 000 | 20 489 720 | |
| Current portion of long-term receivables | 5 429 | 5 356 | 73 | Correction of prior year fines not raised |
| Inventory | 2 282 251 | 2 200 000 | 82 251 | |
| Total current assets | 76 273 392 | 47 544 016 | 28 729 377 | |
| Non current assets | | | | |
| Long-term receivables | 23 857 | 19 046 | 4 811 | Correction of Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven |
| Investment property | 158 512 813 | 131 492 025 | 27 020 788 | |
| Property, plant and equipment | 640 693 879 | 487 774 341 | 152 919 538 | |
| Intangible Assets | 1 573 385 | 1 892 950 | (319 565) | |
| Total non current assets | 800 803 934 | 621 178 362 | 179 625 572 | |
| TOTAL ASSETS | 877 077 325 | 668 722 378 | 208 354 947 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | - | - | - | Due to large amount of purchases taking place at year end which is only due in July 2014 Projections made differ from actuarial report and could not be accurately predicted. |
| Borrowing | 6 973 907 | 7 182 945 | (209 038) | |
| Consumer deposits | 3 659 875 | 3 550 260 | 109 615 | |
| Trade and other payables | 42 055 324 | 34 957 260 | 7 098 064 | |
| Provisions and Employee Benefits | 13 897 836 | 12 308 334 | 1 589 503 | |
| Total current liabilities | 66 586 942 | 57 998 799 | 8 588 143 | |
| Non current liabilities | | | | |
| Borrowing | 110 090 615 | 105 648 114 | 4 442 502 | |
| Provisions and Employee Benefits | 68 962 305 | 64 650 287 | 4 312 018 | |
| Total non current liabilities | 179 052 920 | 170 298 401 | 8 754 519 | |
| TOTAL LIABILITIES | 245 639 862 | 228 297 200 | 17 342 662 | |
| NET ASSETS | 631 437 464 | 440 425 178 | 191 012 286 | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 543 606 974 | 397 881 675 | 145 725 299 | Prior years correction refer to note 40.03 and the budget made provision for a deficit due to huge impairments which did not realise. A bigger contribution could be made to the CRR fund due to cashflow status at year end and Revaluation Reserve increase due to some pockets of land were further divided into different portions which give different figures than in the previous list. Values of buildings increased because of the increases in building costs and because more detailed information was obtained in some cases. |
| Reserves | 87 830 490 | 42 543 503 | 45 286 987 | |
| TOTAL COMMUNITY WEALTH/EQUITY | 631 437 464 | 440 425 178 | 191 012 286 | |

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R (Approved Budget) | 2014 R (Adjustments) | 2014 R (Final Budget) | Explanations for material adjustments |
|--|--------------------------------|-----------------------------|-----------------------------|---------------------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 1 797 816 | (1 782 764) | 15 052 | |
| Call investment deposits | 10 000 000 | (10 000 000) | - | |
| Consumer debtors | 24 346 980 | 17 976 628 | 42 323 608 | |
| Other Receivables | 3 000 000 | - | 3 000 000 | |
| Current portion of long-term receivables | 3 865 | 1 491 | 5 356 | |
| Inventory | 2 500 000 | (300 000) | 2 200 000 | |
| Total current assets | <u>41 648 661</u> | <u>5 895 355</u> | <u>47 544 016</u> | |
| Non current assets | | | | |
| Long-term receivables | 37 837 | (18 791) | 19 046 | |
| Investments | - | - | - | |
| Investment property | 269 134 450 | (137 642 425) | 131 492 025 | |
| Property, plant and equipment | 612 223 823 | (124 449 482) | 487 774 341 | |
| Biological Assets | - | - | - | |
| Intangible Assets | 2 189 986 | (297 036) | 1 892 950 | |
| Heritage Assets | - | - | - | |
| Total non current assets | <u>883 586 096</u> | <u>(262 407 734)</u> | <u>621 178 362</u> | |
| TOTAL ASSETS | <u><u>925 234 757</u></u> | <u><u>(256 512 379)</u></u> | <u><u>668 722 378</u></u> | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | - | - | - | |
| Borrowing | 8 000 000 | (817 055) | 7 182 945 | |
| Consumer deposits | 3 550 260 | - | 3 550 260 | |
| Trade and other payables | 27 993 024 | 6 964 236 | 34 957 260 | |
| Provisions and Employee Benefits | 17 600 000 | (5 291 666) | 12 308 334 | |
| Total current liabilities | <u>57 143 284</u> | <u>855 515</u> | <u>57 998 799</u> | |
| Non current liabilities | | | | |
| Borrowing | 117 256 355 | (11 608 241) | 105 648 114 | |
| Provisions and Employee Benefits | 61 395 553 | 3 254 734 | 64 650 287 | |
| Total non current liabilities | <u>178 651 908</u> | <u>(8 353 507)</u> | <u>170 298 401</u> | |
| TOTAL LIABILITIES | <u><u>235 795 192</u></u> | <u><u>(7 497 992)</u></u> | <u><u>228 297 200</u></u> | |
| NET ASSETS | <u><u>689 439 565</u></u> | <u><u>(249 014 387)</u></u> | <u><u>440 425 178</u></u> | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 675 880 565 | (277 998 890) | 397 881 675 | |
| Reserves | 13 559 000 | 28 984 503 | 42 543 503 | |
| TOTAL COMMUNITY WEALTH/EQUITY | <u><u>689 439 565</u></u> | <u><u>(249 014 387)</u></u> | <u><u>440 425 178</u></u> | |

The municipality adjusted the budget in line with the latest requirements of GRAP.

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

| | 2014 R (Actual) | 2014 R (Final Budget) | 2014 R (Variance) | Explanations for material variances |
|---|-----------------------|-----------------------------|-------------------------|---|
| REVENUE BY SOURCE | | | | |
| Property rates | 58 673 002 | 59 447 829 | (774 827) | |
| Property rates - penalties & collection charges | - | - | - | |
| Service charges | 142 531 766 | 145 614 609 | (3 082 843) | |
| Rental of facilities and equipment | 1 936 232 | 1 441 000 | 495 232 | |
| Interest earned - external investments | 2 903 978 | 2 200 000 | 703 978 | |
| Interest earned - outstanding debtors | 9 267 473 | 8 000 000 | 1 267 473 | More unpaid municipal accounts than was anticipated with the compilation of the budget |
| Dividends received | - | - | - | |
| Fines | 29 835 408 | 13 032 000 | 16 803 408 | Budget for traffic fines was based on actual payments, but actual was adjusted to align with GRAP 23 and IGRAP1 |
| Licences and permits | 2 635 096 | 2 570 000 | 65 096 | |
| Agency services | 2 189 056 | 2 200 000 | (10 944) | |
| Government Grants and Subsidies | 154 611 729 | 154 596 224 | 15 505 | |
| Other revenue | 34 358 941 | 8 535 000 | 25 823 941 | Fair value adjustments on Investment Property not budgeted for. |
| Gains on disposal of PPE | 309 787 | 205 000 | 104 787 | |
| Total Operating Revenue | 439 252 468 | 397 841 662 | 41 410 806 | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 122 420 691 | 126 956 777 | (4 536 086) | |
| Remuneration of councillors | 8 203 131 | 8 353 505 | (150 374) | |
| Debt impairment | 47 239 932 | 24 955 860 | 22 284 072 | Extra impairment was made for traffic fines due to implementation of GRAP 23 and IGRAP 1 |
| Depreciation & asset impairment | 32 815 617 | 128 555 012 | (95 739 395) | Impairment on general valuation roll differs from asset register due to two valuation companies and therefore full impairments was not done |
| Finance charges | 12 742 096 | 12 940 083 | (197 987) | |
| Bulk purchases | 50 043 145 | 49 276 690 | 766 455 | |
| Other materials | - | - | - | |
| Contracted services | 15 599 464 | 17 826 829 | (2 227 365) | Over budgeted for expenditure that did not realise |
| Grants and subsidies paid | 823 890 | 850 000 | (26 110) | |
| Other expenditure | 90 668 766 | 97 445 531 | (6 776 765) | |
| Loss on disposal of PPE | 341 301 | 4 214 000 | (3 872 699) | Property sold with an unsolicited bid below the valuation on the register, but property not yet transferred. |
| Total Operating Expenditure | 380 898 033 | 471 374 287 | (90 476 254) | |
| Operating Surplus/(Deficit) for the year | 58 354 435 | (73 532 625) | 131 887 060 | |

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R (Approved Budget) | 2014 R (Adjustments) | 2014 R (Final Budget) | 2014 R Final Virements | 2014 R (Final Year-end Budget) | Reasons for material adjustments |
|---|-----------------------------------|----------------------------|-----------------------------|------------------------------|---|---|
| REVENUE BY SOURCE | | | | | | |
| Property rates | 60 047 001 | (599 172) | 59 447 829 | - | 59 447 829 | |
| Property rates - penalties & collection charges | - | - | - | - | - | |
| Service charges | 145 559 034 | 55 575 | 145 614 609 | - | 145 614 609 | |
| Rental of facilities and equipment | 1 420 000 | 21 000 | 1 441 000 | - | 1 441 000 | |
| Interest earned - external investments | 2 200 000 | - | 2 200 000 | - | 2 200 000 | |
| Interest earned - outstanding debtors | 4 000 000 | 4 000 000 | 8 000 000 | - | 8 000 000 | Was under budgeted and adjusted according to projection of actual interest levied. |
| Dividends received | - | - | - | - | - | |
| Fines | 8 019 000 | 5 013 000 | 13 032 000 | - | 13 032 000 | Was under budgeted and adjusted according to projection of actual interest levied. |
| Licences and permits | 2 508 000 | 62 000 | 2 570 000 | - | 2 570 000 | |
| Agency services | 2 100 000 | 100 000 | 2 200 000 | - | 2 200 000 | |
| Transfers recognised | 149 691 000 | 4 905 224 | 154 596 224 | - | 154 596 224 | |
| Other revenue | 9 296 272 | (761 272) | 8 535 000 | - | 8 535 000 | |
| Gains on disposal of PPE | - | 205 000 | 205 000 | - | 205 000 | |
| Total Operating Revenue | 384 840 307 | 13 001 355 | 397 841 662 | - | 397 841 662 | |
| EXPENDITURE BY TYPE | | | | | | |
| Employee related costs | 127 223 432 | (266 655) | 126 956 777 | - | 126 956 777 | |
| Remuneration of councillors | 8 501 744 | (148 239) | 8 353 505 | - | 8 353 505 | |
| Debt impairment | 13 029 417 | 11 926 443 | 24 955 860 | - | 24 955 860 | Adjusted according to recalculation of payment percentage |
| Depreciation & asset impairment | 19 940 571 | 108 614 441 | 128 555 012 | - | 128 555 012 | Adjustment was made to include impairments of difference between valuation on asset register and general valuation roll |
| Finance charges | 13 730 846 | (790 763) | 12 940 083 | - | 12 940 083 | |
| Bulk purchases | 49 824 000 | (547 310) | 49 276 690 | - | 49 276 690 | |
| Other materials | - | - | - | - | - | |
| Contracted services | 18 299 829 | (488 000) | 17 811 829 | 15 000 | 17 826 829 | |
| Grants and subsidies paid | 850 000 | - | 850 000 | - | 850 000 | |
| Other expenditure | 77 192 364 | 20 268 167 | 97 460 531 | (15 000) | 97 445 531 | Adjustment due to re-dividing the budget of housing between operational and capital |
| Loss on disposal of PPE | - | 4 214 000 | 4 214 000 | - | 4 214 000 | To include selling of property not known at time of original budget compilation |
| Total Operating Expenditure | 328 592 203 | 142 782 084 | 471 374 287 | - | 471 374 287 | |
| Operating Surplus/(Deficit) for the year | 56 248 104 | (129 780 729) | (73 532 625) | - | (73 532 625) | |

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

| | 2014 R (Actual) | 2014 R (Final Budget) | 2014 R (Variance) | Explanations for material variances |
|---|-----------------------|-----------------------------|-------------------------|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 198 752 657 | 192 467 067 | 6 285 590 | |
| Government Grants | 146 908 415 | 151 297 000 | (4 388 585) | |
| Interest | 12 171 451 | 10 200 000 | 1 971 451 | According to debt collection policy interest is first subtracted from debtors paymer |
| Dividends | - | - | - | |
| Payments | | | | |
| Suppliers and Employees | (277 467 986) | (300 464 811) | 22 996 825 | |
| Finance charges | (12 742 096) | (14 521 609) | 1 779 513 | Loan for 2013/2014 not taken up, thus saving on finance charges |
| Transfers and Grants | (823 890) | (850 000) | 26 110 | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 66 798 551 | 38 127 647 | 28 670 903 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | 1 584 369 | 4 009 000 | (2 424 631) | Property sold with an unsolicited bid, but property not yet transferrec |
| Decrease/(increase) in non-current receivables | 585 787 | 5 356 | 580 431 | |
| Decrease/(increase) in non-current investments | - | - | - | |
| Payments | | | | |
| Capital assets | (62 946 682) | (69 980 237) | 7 033 555 | Underspending of approved capital budget due to delays by contractors |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (60 776 528) | (65 965 881) | 5 189 355 | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | 11 275 461 | 7 075 270 | 4 200 191 | Taking up of loans approved in the 2012/2013 budge |
| Increase/(decrease) in consumer deposits | 353 648 | 244 033 | 109 615 | |
| Payments | | | | |
| Repayment of borrowing | (6 977 661) | (7 010 934) | 33 272 | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | 4 651 448 | 308 370 | 4 343 078 | |
| NET INCREASE/(DECREASE) IN CASH HELD | 10 673 471 | (27 529 864) | 38 203 336 | |
| Cash and Cash Equivalents at the beginning of the yea | 27 544 916 | 27 544 916 | (0) | |
| Cash and Cash Equivalents at the end of the yea | 38 218 387 | 15 052 | 38 203 336 | |

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R (Approved Budget) | 2014 R (Adjustments) | 2014 R (Final Budget) | Reasons for material adjustments |
|--|--------------------------------|----------------------------|-----------------------------|----------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 215 919 890 | (23 452 823) | 192 467 067 | |
| Government - operating | 86 840 000 | 18 488 000 | 105 328 000 | |
| Government - capital | 62 851 000 | (16 882 000) | 45 969 000 | |
| Interest | 6 200 000 | 4 000 000 | 10 200 000 | |
| Dividends | - | - | - | |
| Payments | | | | |
| Suppliers and Employees | (281 041 369) | (19 423 442) | (300 464 811) | |
| Finance charges | (13 730 846) | (790 763) | (14 521 609) | |
| Transfers and Grants | - | (850 000) | (850 000) | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 77 038 675 | (38 911 028) | 38 127 647 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | - | 4 009 000 | 4 009 000 | |
| Decrease/(increase) in non-current receivables | - | 5 356 | 5 356 | |
| Decrease/(increase) in non-current investments | - | - | - | |
| Payments | | | | |
| Capital assets | (73 594 333) | 3 614 096 | (69 980 237) | |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (73 594 333) | 7 628 452 | (65 965 881) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | 7 075 270 | - | 7 075 270 | |
| Increase/(decrease) in consumer deposits | 250 470 | (6 437) | 244 033 | |
| Payments | | | | |
| Repayment of borrowing | (8 000 000) | 989 067 | (7 010 934) | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (674 260) | 982 630 | 308 370 | |
| NET INCREASE/(DECREASE) IN CASH HELD | 2 770 082 | (30 299 946) | (27 529 864) | |
| Cash and Cash Equivalents at the beginning of the year | 9 027 734 | 18 517 182 | 27 544 916 | |
| Cash and Cash Equivalents at the end of the year | 11 797 816 | (11 782 764) | 15 052 | |

The municipality adjusted the budget in line with the latest requirements of GRAP.

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

| Standard | Description | Effective Date |
|-------------------------------|---|-----------------------|
| GRAP 5 (Revised Feb 2013) | Borrowing Costs | 1 April 2014 |
| GRAP 100 (Revised – Feb 2013) | Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations) | 1 April 2014 |

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements. Material differences for budget comparison purposes are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| Standard | Description | Effective Date |
|--|--|-----------------------|
| GRAP 6 (Revised – Nov 2010) | Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated. | Unknown |
| GRAP 8 (Revised – Nov 2010) | Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures. | Unknown |
| GRAP 18 (Original – Feb 2011) | Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements. | 1 April 2015 |

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| Standard | Description | Effective Date |
|---|---|-----------------------|
| GRAP 20 (Original – June 2011) | <p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p> | Unknown |
| GRAP 32 (Original – Aug 2013) | <p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | Unknown |
| GRAP 105 (Original – Nov 2010) | <p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2015 |
| GRAP 106 (Original – Nov 2010) | <p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2015 |

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| Standard | Description | Effective Date |
|--|--|-----------------------|
| GRAP 107 (Original – Nov 2010) | <p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2015 |
| GRAP 108 (Original – Sept 2013) | <p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | Unknown |
| IGRAP 11 | <p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p> | Unknown |
| IGRAP 12 | <p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p> | Unknown |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.9.2. Social Contribution Reserve

Theewaterskloof Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.
- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

Theewaterskloof Municipality recognises that business are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

1.9.3. Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. .

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
 - The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
 - Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.15. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.15.1. Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.15.4. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.15.5. Provision for Performance Bonuses

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.15.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be

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measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.17.3. Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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1.17.4. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

| | Years | | Years |
|------------------------------------|--------------|------------------------|--------------|
| <u>Infrastructure</u> | | <u>Other</u> | |
| Roads and Stormwater | 5 - 150 | Buildings | 20 - 100 |
| Refuse | 20 - 50 | Specialist vehicles | 10 - 35 |
| Electricity | 10 - 100 | Other vehicles | 5 - 30 |
| Water | 10 - 200 | Office equipment | 3 - 15 |
| Sewerage | 10 - 200 | Furniture and fittings | 5-20 |
| Housing | 20 - 100 | Watercraft | 15 - 30 |
| | | Bins and containers | 5 - 15 |
| <u>Community</u> | | Specialised plant and | |
| Buildings | 20 - 100 | Equipment | 5 - 35 |
| Recreational Facilities | 20-30 | Other plant and | |
| Security | 5 - 15 | Equipment | 2- 25 |
| Halls | 20-30 | Landfill sites | 20 - 100 |
| Libraries | 20-30 | Quarries | 20 - 100 |
| Parks and gardens | 15-20 | Emergency equipment | 5 - 25 |
| Other assets | 15-30 | Computer equipment | 3 - 15 |
| <u>Finance lease assets</u> | | | |
| Office equipment | 3 - 15 | | |
| Other assets | 5 – 15 | | |

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.5. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins

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when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| <u>Intangible Assets</u> | Years |
|---------------------------------|--------------|
| Computer Software | 5-10 |

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as

the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss

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arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

1.19.3. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20. HERITAGE ASSETS

1.20.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2. Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.20.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

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recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.20.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment

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loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount

that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near

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future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

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Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2. Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

Receivables for fines outstanding for more than one year as at the reporting date are impaired.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4. Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

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The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3. De-recognition of Financial Instruments

1.23.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised as from 1 July 2013 prospectively in terms of changes to 1GRAP1, when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1. *Post retirement medical obligations and Long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2. Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3. Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.4. Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

1.30.5. Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.6. Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7. Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.), specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8. Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance. All landfills sites are fully contaminated and therefore fully provided for the cost of rehabilitation.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

1.30.9. Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.10. Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.30.11. Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days worth of unused electricity.

1.30.12. Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | 2014 R | 2013 R |
|---------------------------------|-------------------|-------------------|
| 2 NET ASSET RESERVES | | |
| Capital Replacement Reserve | 6 499 770 | 499 770 |
| Revaluations Reserve | 81 275 442 | 41 091 455 |
| Social Contributions Reserve | 55 278 | 55 278 |
| Total Net Asset Reserves | 87 830 490 | 41 646 503 |

| | | |
|---|--------------------|--------------------|
| 3 LONG-TERM LIABILITIES | | |
| Annuity Loans - At amortised cost | 99 977 045 | 95 637 176 |
| Capitalised Lease Liability - At amortised cost | 64 505 | 106 576 |
| Stock loans | 17 022 971 | 17 022 971 |
| | 117 064 522 | 112 766 723 |
| Current Portion transferred to Current Liabilities | (6 973 907) | (6 978 681) |
| Annuity Loans - At amortised cost | (6 909 402) | (6 936 610) |
| Capitalised Lease Liability - At amortised cost | (64 505) | (42 071) |
| Total Long-term Liabilities - At amortised cost using the effective interest rate method | 110 090 615 | 105 788 042 |

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below

Amounts payable under annuity loans:

| | | |
|---|---------------------|---------------------|
| Payable within one year | 17 229 200 | 16 797 201 |
| Payable within two to five years | 64 064 802 | 58 724 358 |
| Payable after five years | 97 454 665 | 102 146 159 |
| | 178 748 666 | 177 667 717 |
| Less: Future finance obligations | (78 771 621) | (82 030 542) |
| Present value of annuity obligations | 99 977 045 | 95 637 175 |

Annuity loans at amortised cost is calculated at 9.29%-16.5% interest rate, with first maturity date of 30 June 2013 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

| | | |
|---|-----------------|------------------|
| Payable within one year | 93 066 | 139 599 |
| Payable within two to five years | - | 93 066 |
| | 93 066 | 232 665 |
| Less: Future finance obligations | (28 561) | (126 089) |
| Present value of lease obligations | 64 505 | 106 576 |

The capitalised lease liability consist out of the following contracts:

| <u>Supplier</u> | <u>Description of leased item</u> | <u>Effective Interest rate</u> | <u>Annual Escalation</u> | <u>Lease Term</u> | <u>Maturity Date</u> |
|-----------------|-----------------------------------|--------------------------------|--------------------------|-------------------|----------------------|
| DFA Solutions | Laptop computers | 9% | 0% | 3 Years | 28/02/2015 |

Leases are secured by property, plant and equipment, which consist of laptop computers - Note 13

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

3 LONG-TERM LIABILITIES (CONTINUE)

The obligations under stock loans are scheduled below:

Amounts payable under stock loans:

Payable within one year

Payable within two to five years

Payable after five years

Less: Future finance obligations

Present value of stock loan obligations

| 2014 R | 2013 R |
|--------------------------------|-------------------|
| Minimum stock loan payments | |
| 1 597 949 | 1 598 273 |
| 6 397 496 | 6 004 346 |
| 26 936 971 | 28 928 069 |
| 34 932 415 | 36 530 688 |
| (17 909 445) | (19 507 718) |
| 17 022 971 | 17 022 971 |

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

4 EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

Total Non-current Employee Benefit Liabilities

| | |
|-------------------|-------------------|
| 38 160 863 | 30 573 825 |
| 4 572 357 | 4 191 755 |
| 42 733 220 | 34 765 580 |

Post Retirement Benefits

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss/ (Gain)

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

| | |
|-------------------|-------------------|
| 31 670 577 | 29 679 626 |
| 1 948 763 | 2 105 785 |
| 2 733 505 | 2 314 910 |
| (1 164 956) | (1 065 782) |
| 4 183 018 | (1 363 962) |
| 39 370 907 | 31 670 577 |
| (1 210 044) | (1 096 752) |
| 38 160 863 | 30 573 825 |

Long Service Awards

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss

Total long service 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

| | |
|------------------|------------------|
| 4 565 521 | 3 890 156 |
| 606 655 | 542 491 |
| 328 770 | 248 177 |
| (343 708) | (371 965) |
| (166 803) | 256 662 |
| 4 990 435 | 4 565 521 |
| (418 078) | (373 766) |
| 4 572 357 | 4 191 755 |

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

Contribution for the year

Interest cost

Expenditure for the year

Actuarial (Gain)/ Loss

Total employee benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

| | |
|-------------------|-------------------|
| 36 236 098 | 33 569 782 |
| 2 555 418 | 2 648 276 |
| 3 062 275 | 2 563 087 |
| (1 508 665) | (1 437 747) |
| 4 016 215 | (1 107 300) |
| 44 361 342 | 36 236 098 |
| (1 628 122) | (1 470 518) |
| 42 733 220 | 34 765 580 |

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | |
|------------|--|-------------|-------------|
| 4 | EMPLOYEE BENEFITS (CONTINUE) | 2014 | 2013 |
| | | R | R |
| 4.1 | Post Retirement Benefits | | |
| | The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows: | | |
| | In-service (employee) members | 166 | 151 |
| | In-service (employee) non-members | 410 | 414 |
| | Continuation members (e.g. Retirees, widows, orphans) | 34 | 33 |
| | Total Members | 610 | 598 |

The liability in respect of past service has been estimated to be as follows:

| | | |
|------------------------|-------------------|-------------------|
| In-service members | 22 495 744 | 16 644 037 |
| Continuation members | 16 875 163 | 15 026 540 |
| Total Liability | 39 370 907 | 31 670 577 |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | | | | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 | 2012 | 2011 | 2010 |
| | R | R | R | R |
| Members | 31 670 577 | 29 679 626 | 26 514 500 | 19 691 820 |
| Total Liability | 31 670 577 | 29 679 626 | 26 514 500 | 19 691 820 |

| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Experience adjustments were calculated as follows: | 2014 | 2013 | 2012 | 2011 | 2010 |
| | R | R | R | R | R |
| Liabilities: (Gain) / loss | 4 183 018 | (515 000) | (1 390 000) | 4 680 000 | - |
| Assets: Gain / (loss) | | | | - | - |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R2 687 900, whereas the Interest Cost for the next year is estimated to be R3 509 800.

Sensitivity Analysis on the future service cost and interest cost

| Assumption | Current Service Cost | Interest Cost | Total | % change |
|--|-----------------------------|----------------------|--------------|-----------------|
| | R | R | R | |
| Central Assumptions | 2 687 900 | 3 509 800 | 6 197 700 | |
| The effect of movements in the assumptions are as follows: | | | | |
| Health care inflation 1% | 3 209 300 | 4 051 000 | 7 260 300 | 17% |
| Health care inflation -1% | 2 234 300 | 3 043 500 | 5 277 800 | -15% |
| Discount rate 1% | 2 204 900 | 3 349 800 | 5 554 700 | -10% |
| Discount rate -1% | 3 322 100 | 3 678 000 | 7 000 100 | 13% |
| Post-retirement mortality -1 year | 2 778 100 | 3 641 800 | 6 419 900 | 4% |
| Average retirement age -1 year | 2 800 400 | 3 698 000 | 6 498 400 | 5% |
| Continuation of membership at retirement -10% | 2 117 600 | 3 058 100 | 5 175 700 | -16% |
| | | | 2014 | 2013 |
| | | | % | % |

Key actuarial assumptions used:

i) Rate of interest

| | | |
|---------------------------------|-------|-------|
| Discount rate | 9.05% | 8.78% |
| Health Care Cost Inflation Rate | 8.23% | 7.67% |
| Net Effective Discount Rate | 0.76% | 1.03% |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | |
|---|---|-------------------|-------------------|
| 4 | EMPLOYEE BENEFITS (CONTINUE) | 2014 | 2013 |
| | | R | R |
| | The amounts recognised in the Statement of Financial Position are as follows: | | |
| | Present value of fund obligations | 39 370 907 | 31 670 577 |
| | Net liability | 39 370 907 | 31 670 577 |
| | Reconciliation of present value of fund obligation: | | |
| | Present value of fund obligation at the beginning of the year | 31 670 577 | 29 679 626 |
| | Total expenses | 3 517 312 | 3 354 913 |
| | Current service cost | 1 948 763 | 2 105 785 |
| | Interest Cost | 2 733 505 | 2 314 910 |
| | Benefits Paid | (1 164 956) | (1 065 782) |
| | Actuarial loss | 4 183 018 | (1 363 962) |
| | Present value of fund obligation at the end of the year | 39 370 907 | 31 670 577 |
| | Less: Transfer of Current Portion - Note 7 | (1 210 044) | (1 096 752) |
| | Balance 30 June | 38 160 863 | 30 573 825 |

Sensitivity Analysis on the Accrued Liability

| Assumption | In-service members liability | Continuation members liability | Total liability (Rm) |
|---------------------|------------------------------|--------------------------------|----------------------|
| Central Assumptions | 22 495 744 | 16 875 163 | 39 370 907 |

The effect of movements in the assumptions are as follows:

| Assumption | Change | In-service members liability (R) | Continuation members liability (R) | Total liability (R) | % change |
|--|---------|----------------------------------|------------------------------------|---------------------|----------|
| Health care inflation | 1% | 26 620 000 | 18 730 000 | 45 350 000 | 15% |
| Health care inflation | -1% | 18 944 000 | 15 275 000 | 34 219 000 | -13% |
| Discount Rate | 1% | 18 621 000 | 15 299 000 | 33 920 000 | -14% |
| Discount Rate | -1% | 27 544 000 | 18 734 000 | 46 278 000 | 18% |
| Post-retirement mortality | -1 year | 23 262 000 | 17 567 000 | 40 829 000 | 4% |
| Average retirement age | -1 year | 24 575 000 | 16 875 000 | 41 450 000 | 5% |
| Continuation of membership at retirement | -10% | 17 505 000 | 16 875 000 | 34 380 000 | -13% |

| Assumption | Change | Current-service Cost (R) | Interest Cost (R) | Total (R) | % change |
|---------------------------|---------|--------------------------|-------------------|-----------|----------|
| Central Assumption | | 1 948 800 | 2 733 500 | 4 682 300 | |
| Health care inflation | 1% | 2 307 800 | 3 139 200 | 5 447 000 | 16% |
| Health care inflation | -1% | 1 640 400 | 2 390 000 | 4 030 400 | -14% |
| Post-retirement mortality | -1 year | 2 011 100 | 2 833 900 | 4 845 000 | 3% |
| Average retirement age | -1 year | 2 211 600 | 2 873 300 | 5 084 900 | 9% |
| Withdrawal Rate | -50% | 2 309 000 | 2 936 000 | 5 245 000 | 12% |

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

| | | |
|--|-----|-----|
| | 576 | 565 |
|--|-----|-----|

Key actuarial assumptions used:

| | 2014 | 2013 |
|--|-------------|-------------|
| | % | % |
| i) Rate of interest | | |
| Discount rate | 8.11% | 7.50% |
| General Salary Inflation (long-term) | 7.21% | 6.85% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.84% | 0.61% |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amounts recognised in the Statement of Financial Position are as follows:

| | | |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 4 990 435 | 4 565 521 |
| Net liability | 4 990 435 | 4 565 521 |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | | | |
|----------|---|------------------|------------------|------------------|------------------|
| 4 | EMPLOYEE BENEFITS (CONTINUE) | | | 2014 | 2013 |
| | | | | R | R |
| | The liability in respect of periods commencing prior to the comparative year has been estimated as follows: | | | | |
| | | 2013 | 2012 | 2011 | 2010 |
| | | R | R | R | R |
| | Total Liability | 4 565 521 | 3 890 156 | 3 252 067 | 2 654 371 |
| | Experience adjustments were calculated as follows: | 2014 | 2013 | 2012 | 2011 |
| | | R | R | R | R |
| | Liabilities: (Gain) / loss | (136 746) | 243 969 | 21 373 | (25 172) |
| | Assets: Gain / (loss) | | | - | - |
| | | | | 2014 | 2013 |
| | | | | R | R |
| | Reconciliation of present value of fund obligation: | | | | |
| | Present value of fund obligation at the beginning of the year | | | 4 565 521 | 3 890 156 |
| | Total expenses | | | 591 717 | 418 703 |
| | Current service cost | | | 606 655 | 542 491 |
| | Interest Cost | | | 328 770 | 248 177 |
| | Benefits Paid | | | (343 708) | (371 965) |
| | Actuarial loss | | | (166 803) | 256 662 |
| | Present value of fund obligation at the end of the year | | | 4 990 435 | 4 565 521 |
| | Less: Transfer of Current Portion - Note 7 | | | (418 078) | (373 766) |
| | Balance 30 June | | | 4 572 357 | 4 191 755 |

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Change | Liability (Rm) | % change |
|--------------------------|---------------|-----------------------|-----------------|
| Central assumptions | | 4 990 | |
| General salary inflation | 1% | 5 372 | 8% |
| General salary inflation | -1% | 4 649 | -7% |
| Discount Rate | 1% | 4 634 | -7% |
| Discount Rate | -1% | 5 396 | 8% |
| Average retirement age | -2 yrs | 4 204 | -16% |
| Average retirement age | 2 yrs | 5 644 | 13% |
| Withdrawal rates | -50% | 6 278 | 26% |

4.3 Retirement funds**CAPE JOINT PENSION FUND**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.7% (30 June 2012 - 99.4%).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

4 EMPLOYEE BENEFITS (CONTINUE)

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| 5 NON-CURRENT PROVISIONS | | |
| Provision for Rehabilitation of Landfill-sites | 26 229 085 | 24 980 081 |
| Total Non-current Provisions | 26 229 085 | 24 980 081 |
| <u>Landfill Sites</u> | | |
| Balance 1 July | 24 980 081 | 23 898 119 |
| Contribution for the year | 1 249 004 | 1 081 963 |
| Total provision 30 June | 26 229 085 | 24 980 081 |
| Less: Transfer of Current Portion to Current Provisions - Note 8 | - | - |
| Balance 30 June | 26 229 085 | 24 980 081 |

The municipality did not, as yet, rehabilitate any of its Landfill sites which are full, neither budgeted for the outflows in the Medium Term Revenue and Expenditure Framework. All Landfill Sites are fully contaminated, although not fully utilised. The provision is in respect of the rehabilitation costs of all contaminated areas.

6 CONSUMER DEPOSITS

| | | |
|--|------------------|------------------|
| Water & Electricity | 3 659 875 | 3 306 227 |
| Total Consumer Deposits | 3 659 875 | 3 306 227 |
| Guarantees held in lieu of Electricity and Water Deposits | 219 717 | 238 217 |

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

| | 2014 R | 2013 R |
|--|-------------------|-------------------|
| 7 CURRENT EMPLOYEE BENEFITS | | |
| Current Portion of Post Retirement Benefits - Note 4 | 1 210 044 | 1 096 752 |
| Current Portion of Long-Service Provisions - Note 4 | 418 078 | 373 766 |
| Staff Leave | 8 405 940 | 7 794 181 |
| Performance Bonuses | 653 354 | 484 953 |
| Annual Bonuses | 2 967 709 | 2 734 793 |
| Compensation for injuries on duty contribution | - | - |
| Pension | 52 274 | 74 000 |
| Group Insurance | 190 437 | 141 864 |
| Total Current Employee Benefits | 13 897 836 | 12 700 308 |

The movement in current employee benefits are reconciled as follows:

Staff Leave

| | | |
|--|------------------|------------------|
| Balance at beginning of year | 7 794 181 | 10 482 871 |
| Contribution / (reversal) for the year - Note 3C | 1 328 584 | (1 657 061) |
| Expenditure incurred | (716 825) | (1 031 630) |
| Balance at end of year | 8 405 940 | 7 794 181 |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 7 | CURRENT EMPLOYEE BENEFITS (CONTINUED) | 2014 R | 2013 R |
|---|---|------------------|------------------|
| | <u>Performance Bonuses</u> | | |
| | Balance at beginning of year | 484 953 | 579 733 |
| | Contribution / (reversal) for the year | 782 790 | 462 172 |
| | Expenditure incurred | (614 389) | (556 953) |
| | Balance at end of year | 653 354 | 484 953 |
| | Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement. | | |
| | <u>Annual Bonuses</u> | | |
| | Balance at beginning of year | 2 734 793 | 2 584 120 |
| | Contribution for the year | 6 305 337 | 5 657 238 |
| | Expenditure incurred | (6 072 421) | (5 506 565) |
| | Balance at end of year | 2 967 709 | 2 734 793 |
| | Annual bonuses are being paid as a 13th cheque in November of each year. There is no possibility of reimbursement. | | |
| | <u>Compensation for injuries on duty contributor</u> | | |
| | Balance at beginning of year | - | 810 366 |
| | Contribution for the year | - | 210 089 |
| | Expenditure incurred | - | (1 020 455) |
| | Balance at end of year | - | - |
| | The compensation for injuries on duty contribution represents, if the municipality had a current liability, the portion that has not yet been paid over to the relevant authorities. | | |
| | <u>Pension</u> | | |
| | Balance at beginning of year | 74 000 | 128 604 |
| | Expenditure incurred | (21 726) | (54 604) |
| | Balance at end of year | 52 274 | 74 000 |
| | Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement. | | |
| | <u>Group Insurance</u> | | |
| | Fair Value at beginning of year | 141 864 | 114 781 |
| | Fair Value adjustment during the year. | 48 573 | 27 083 |
| | Fair value at end of year | 190 437 | 141 864 |
| | Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated. | | |
| 8 | PROVISIONS | | |
| | Current Portion of Rehabilitation of Landfill-sites - Note 5 | - | - |
| | Total Provisions | - | - |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

9 PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|----------------------------------|-------------------|-------------------|
| Trade Payables | 19 156 861 | 23 478 357 |
| Interest Accrued | 1 308 374 | 1 374 789 |
| Payments received in advance | 2 490 201 | 2 915 874 |
| Prepaid unused electricity units | 680 794 | 527 699 |
| Retentions | 14 789 954 | 10 270 477 |
| Sundry Deposits | 829 655 | 942 240 |
| Land Sales deposits | 132 296 | 155 147 |
| Total Trade Payables | 39 388 135 | 39 664 583 |

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts. The municipality did not default on any of its obligations.

The carrying value of trade and other payables approximates its fair value

Sundry deposits include Hall, Builders and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

| | | |
|--|--------------------|------------------|
| Unspent Grants | 823 297 | 4 667 034 |
| National Government Grants | 157 568 | 956 572 |
| Provincial Government Grants | 320 236 | 3 245 700 |
| Other Grant Providers | 345 493 | 464 762 |
| Less: Unpaid Grants | 6 313 484 | 2 377 909 |
| National Government Grants | 108 727 | 2 153 027 |
| Provincial Government Grants | 6 204 757 | 224 882 |
| Total Conditional Grants and Receipts | (5 490 187) | 2 289 126 |

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. An amount of R76 000 was withheld from the Equitable Share for an prior period unspent balance of the Neighbourhood Development Program Grant.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 UNSPENT PUBLIC CONTRIBUTIONS

| | 2014 R | 2013 R |
|---|----------------|----------------|
| HAN - Hogeschool van Arnhem en Nijmegen | 222 011 | 227 349 |
| IDC - Industrial Development Corporation | 266 388 | 634 772 |
| Total Unspent Public Contributions | 488 399 | 862 120 |

Reconciliation of public contributions**HAN**

| | | |
|---|----------------|----------------|
| Opening balance | 227 349 | 167 235 |
| Contributions received | 925 329 | 897 464 |
| Conditions met - Transferred to revenue | (930 666) | (837 350) |
| Closing balance | 222 011 | 227 349 |

The grant is for the upliftment of previously disadvantaged communities

Industrial Development Corporation

| | | |
|---|----------------|----------------|
| Opening balance | 634 772 | - |
| Contributions received | - | 800 000 |
| Conditions met - Transferred to revenue | (368 384) | (165 228) |
| Closing balance | 266 388 | 634 772 |

The grant is for the promotion of local economic development and tourism.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | |
|-------------|--|-------------------------|-------------------------|
| 12 | TAXES | | |
| 12.1 | VAT PAYABLE | | |
| | VAT Payable | 8 170 659 | 11 720 681 |
| | Less: Contribution to provision for impairment of trade receivables from exchange transactions | (6 815 167) | (10 083 725) |
| | Vat payable | <u>1 355 492</u> | <u>1 636 956</u> |
| 12.2 | VAT RECEIVABLE | | |
| | VAT Receivable | 1 219 981 | 4 940 903 |
| | Total VAT receivable | <u>1 219 981</u> | <u>4 940 903</u> |
| 12.3 | NET VAT RECEIVABLE/(PAYABLE) | <u>(135 512)</u> | <u>3 303 947</u> |
| | VAT is receivable/payable on the cash basis. | | |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

13 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 13 | PROPERTY, PLANT AND EQUIPMENT (CONTINUED) | 2014 R | 2013 R |
|----|---|-------------------|-------------------|
| | Assets pledged as security: | | |
| | No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance. | | |
| | Third party payments received for losses incurred: | | |
| | Payments received (Excluding VAT) | 226 910 | 401 174 |
| | Surplus/Deficit | 226 910 | 401 174 |
| | Impairment of property plant and equipment for the year | | |
| | Impairment charges on Property, plant and equipment recognised in statement of financial performance | | |
| | Land and Buildings | 8 643 050 | 7 576 531 |
| | | 8 643 050 | 7 576 531 |
| | The current economic climate with resultant declining property values is the main reason for impairment charges | | |
| | Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock and Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements. | | |
| | | 2014 R | 2013 R |
| | Fully Depreciated assets still in use were as follows: | 98 000 | 18 000 |
| | Carrying value of property plant and equipment in the course of construction: | 47 749 490 | 52 261 422 |
| | Reconciliation of revaluation surplus: | | |
| | Opening balance | 41 091 455 | 11 422 657 |
| | Movement for the period | 40 183 987 | 29 668 798 |
| | Closing balance | 81 275 442 | 41 091 455 |
| 14 | CAPITALISED RESTORATION COST | 2014 R | 2013 R |
| | Net Carrying amount at 1 July | 136 945 | 186 592 |
| | Cost | 3 432 613 | 3 432 613 |
| | Accumulated Depreciation | (3 212 825) | (3 166 855) |
| | Accumulated Impairments | (82 843) | (79 166) |
| | Depreciation for the year | (45 223) | (45 970) |
| | Impairment for the year | (2 359) | (3 677) |
| | Net Carrying amount at 30 June | 89 363 | 136 945 |
| | Cost | 3 432 613 | 3 432 613 |
| | Accumulated Depreciation | (3 258 049) | (3 212 825) |
| | Accumulated Impairments | (85 202) | (82 843) |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 15 | INVESTMENT PROPERTY | 2014 R | 2013 R |
|----|---------------------------------------|--------------------|--------------------|
| | Net Carrying amount at 1 July | 145 291 764 | 218 290 999 |
| | Cost - Balance previously reported | 145 291 764 | 204 491 260 |
| | Correction of error - Note 40.02 | - | 13 799 739 |
| | Disposals | (1 065 885) | (8 942 920) |
| | Fair Value Adjustments - Impairment | (13 851 629) | (86 571 939) |
| | Revaluation increase | 28 138 564 | 22 515 624 |
| | Net Carrying amount at 30 June | 158 512 813 | 145 291 764 |
| | Cost | 158 512 813 | 145 291 764 |

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no investment properties pledged as security for liabilities.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

| | | |
|--|-----------|-----------|
| Revenue derived from the rental of investment property | 1 915 855 | 2 666 076 |
| Operating expenditure incurred on all municipal properties | 7 179 996 | 5 085 536 |

| 16 | INTANGIBLE ASSETS | | |
|----|---------------------------------------|------------------|------------------|
| | Computer Software | | |
| | Net Carrying amount at 1 July | 1 892 950 | 2 126 200 |
| | Cost | 3 197 698 | 3 119 145 |
| | Accumulated Amortisation | (1 304 749) | (992 946) |
| | Additions | - | 78 553 |
| | Amortisation | (319 564) | (311 803) |
| | Net Carrying amount at 30 June | 1 573 385 | 1 892 950 |
| | Cost | 3 197 698 | 3 197 698 |
| | Accumulated Amortisation | (1 624 313) | (1 304 749) |

The following material intangible assets are included in the carrying value above

| <u>Description</u> | <u>Remaining Amortisation Period</u> | 2014 R | 2013 R |
|--------------------|--|-------------------|-------------------|
| Computer software | 9 years | 1 573 385 | 1 892 950 |

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | | |
|-----------|--|-------------------------------|------------------------|------------------|
| 17 | HERITAGE ASSETS | | 2014 | 2013 |
| | | | R | R |
| | <p>The municipality has four registered Heritage Assets, however, the principal usage of the assets is that of service delivery and is therefore recognised in Property, Plant and Equipment. The assets are as follows:</p> | | Recognised as : | Valuation |
| | Erf 614, Caledon - Utilised as the Town Hall | Property, Plant and Equipment | 7 317 300 | 6 369 300 |
| | Erven 12 and 14 - Villiersdorp - Utilised as a Restaurant. | Investment Properties | 3 037 000 | 1 386 000 |
| | Bridge at Meul Street, Caledon | Property, Plant and Equipment | 3 527 | 3 527 |
| | Bridge at Farm 39, Genadendal | Property, Plant and Equipment | 1 481 | 1 481 |
| | <p>There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.</p> <p>There are no Heritage Assets pledged as security for liabilities</p> <p>There were no third party payments received for losses and impairments incurred.</p> | | | |
| 18 | LONG-TERM RECEIVABLES | | 2014 | 2013 |
| | | | R | R |
| | Officials' Housing Loans - At amortised cost | | 29 286 | 34 282 |
| | Sport Club and Other Loans - At amortised cost | | - | - |
| | Correction of error - Transfer from receivables from exchange transactions - Note 40.03 | | 1 064 167 | 975 301 |
| | Correction of error - Transfer from receivables from non-exchange transactions - Note 40.03 | | 2 024 285 | 4 119 951 |
| | | | 3 117 738 | 5 129 534 |
| | Less: Unamortised Discount on Loans | | - | (4 524) |
| | Balance 1 July | | (4 524) | (5 735) |
| | Adjustment for the period | | 4 524 | 1 211 |
| | Less: Current portion transferred to current receivables | | (5 429) | (5 356) |
| | Officials Housing Loans - At amortised cost | | (5 429) | (5 356) |
| | Less: Transfers to exchange and non-exchange receivables | | (1 475 826) | (2 897 310) |
| | Transfer to receivables from exchange transactions - restated 2013 - Note 40.03 | | (445 778) | (523 980) |
| | Transfer to receivables from non-exchange transactions - restated 2013 - Note 40.03 | | (1 030 048) | (2 373 330) |
| | Less: Allowance for doubtful debts | | (1 612 626) | (2 197 942) |
| | Allowance for doubtful debts on exchange transactions - restated 2013 - Note 40.03 | | (618 389) | (451 321) |
| | Allowance for doubtful debts on non-exchange transactions - restated 2013 - Note 40.03 | | (994 237) | (1 746 621) |
| | Total Long Term Receivables | | 23 857 | 24 402 |
| | Reconciliation of Provision for Bad Debts | | | |
| | Balance at beginning of year | | 2 197 942 | - |
| | Contribution to provision | | - | - |
| | Transfer from long-term receivables - restated 2013 - Note 40.03 | | (585 315) | 2 197 942 |
| | Bad Debts Written Off | | - | - |
| | Balance at end of year | | 1 612 626 | 2 197 942 |
| | HOUSING LOANS | | | |
| | <p>Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.</p> <p>Balances of debtors with arrangements to pay off old debt for longer than 1 period are transferred from current receivables to long-term receivables. Due to the low level of payments and consistent with the accounting policy, all these debtors are impaired.</p> <p>All remaining amounts are collectable.</p> | | | |
| 19 | INVENTORY | | | |
| | Maintenance Materials - At cost | | 1 884 068 | 1 580 467 |
| | Water – at cost | | 398 183 | 341 058 |
| | Total Inventory | | 2 282 251 | 1 921 526 |
| | A reconciliation of water losses is included in Note 45.4 | | | |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 20 | | 2014 | 2013 |
|-----------|---|---------------------|---------------------|
| | | R | R |
| | RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| | Electricity | 6 012 971 | 9 506 842 |
| | Water | 28 799 265 | 39 765 137 |
| | Balance previously reported | - | 38 864 981 |
| | Correction of error - Water sales not previously recognised - Note 40.05 | - | (209 123) |
| | Correction of error - Water sales not previously recognised 2011/2012 - Note 40.05 | | 1 109 280 |
| | Refuse | 23 800 363 | 30 659 040 |
| | Sewerage | 19 531 844 | 26 446 989 |
| | Balance previously reported | - | 27 064 562 |
| | Correction of 2011/2012 Industrial Effluent payment on levy - Note | | (617 573) |
| | Other | 5 466 781 | 5 918 460 |
| | Total Receivables from Exchange Transactions | 82 992 835 | 111 845 148 |
| | Total Receivables from Exchange Transactions - Previously Reported | 83 611 224 | 112 296 469 |
| | Transfer to long-term receivables - restated 2013 - Note 40.05 | (1 064 167) | (975 301) |
| | Transfer from long-term receivables transactions - restated 2013 - Note 40.05 | 445 778 | 523 980 |
| | Less: Allowance for Doubtful Debts | (70 715 230) | (96 426 134) |
| | Allowance for Doubtful Debts - Previously Reported | - | (96 877 455) |
| | Transfer to long-term receivables - restated 2013 - Note 40.05 | - | 451 321 |
| | Total Net Receivables from Exchange Transactions | 12 277 605 | 15 419 014 |
| | Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary in terms of IGRAP1. | | |
| | Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. | | |
| | | | |
| 21 | RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | |
| | Rates | 27 222 394 | 22 111 576 |
| | Other Receivables | 4 389 343 | 5 479 532 |
| | Accrued Fines | 22 808 670 | 4 342 950 |
| | Accrued Fines - Balance previously reported | - | 1 825 044 |
| | Correction of fines not previously recognised - Note 40.06 | - | 2 517 906 |
| | Total Receivables from Non-Exchange Transactions | 53 426 170 | 30 187 437 |
| | Total Receivables from Non-Exchange Transactions - Previously Reported | 54 420 407 | 31 934 058 |
| | Transfer to long-term receivables - restated 2013 - Note 40.06 | (2 024 285) | (4 119 951) |
| | Transfer from long-term receivables transactions - restated 2013 - Note 40.06 | 1 030 048 | 2 373 330 |
| | Less: Allowance for Doubtful Debts | (37 959 167) | (18 507 746) |
| | Allowance for Doubtful Debts - Previously Reported | - | (20 254 367) |
| | Transfer to long-term receivables - restated 2013 - Note 40.06 | - | 1 746 621 |
| | Total Net Receivables from Non-Exchange Transactions | 15 467 002 | 11 679 691 |
| | Reconciliation of Provision for Bad Debts | | |
| | Balance at beginning of year | 114 933 880 | 104 517 042 |
| | Contribution to provision | 47 239 932 | 24 139 487 |
| | Transfer to longterm receivables - restated 2013 - Note 40.06 | 585 315 | (2 197 942) |
| | Bad Debts Written Off | (54 084 731) | (11 524 708) |
| | Balance at end of year | 108 674 397 | 114 933 880 |
| | Balances past due not impaired: | 7 226 049 | 7 060 789 |
| | Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition. | | |
| | Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. | | |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | 2014 R | 2013 R |
|------|---|----------------|----------------|
| 22 | OPERATING LEASE ARRANGEMENTS | | |
| 22.1 | The Municipality as Lessor (Asset) | | |
| | Balance on 1 July | 442 097 | 272 777 |
| | Movement during the year | 47 155 | 169 320 |
| | Balance on 30 June | 489 252 | 442 097 |

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

| | | |
|---|------------------|------------------|
| Up to 1 Year | 761 233 | 761 952 |
| 1 to 5 Years | 1 716 858 | 2 345 856 |
| More than 5 Years | 1 694 541 | 1 826 775 |
| Total Operating Lease Arrangements | 4 172 632 | 4 934 584 |

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, with escalations of between 1% and 12% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2094

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

23 **CASH AND CASH EQUIVALENTS**

Assets

| | | |
|---|-------------------|-------------------|
| Call Investments Deposits | 26 967 406 | 20 739 868 |
| Primary Bank Account | 11 240 631 | 6 794 698 |
| Cash Floats | 10 350 | 10 350 |
| Total Cash and Cash Equivalents - Assets | 38 218 387 | 27 544 916 |

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

The municipality has one guarantee of R15 000 in the name of the beneficiary, Eskom.

An amount of R 430 224 (2013: R 430 224), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue, however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

The municipality has the following bank accounts:

Current Accounts

| | | |
|--|-------------------|------------------|
| Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account): | 11 240 631 | 6 794 698 |
| | 11 240 631 | 6 794 698 |

Traffic account is cleared daily to Primary Bank Account.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 23 | CASH AND CASH EQUIVALENTS (CONTINUED) | 2014 R | 2013 R |
|----|--|-------------------|-------------------|
| | <i>Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):</i> | | |
| | Cash book balance at beginning of year | 6 794 698 | 6 365 123 |
| | Cash book balance at end of year | 11 240 631 | 6 794 698 |
| | | <hr/> | <hr/> |
| | Bank statement balance at beginning of year | 6 622 653 | 6 016 898 |
| | Bank statement balance at end of year | 10 787 694 | 6 622 653 |
| | | <hr/> | <hr/> |

The municipality has a standing overdraft limit of R2 500 000 at ABSA Bank.

Call Investment Deposits

Call investment deposits consist out of the following accounts:

| | | | | |
|--------------------------------|--------------|-------------------|------------|------------|
| Interneuron Capital Ltd | CA 002 | Notice deposit | 430 224 | 430 224 |
| ABSA | 9095225460 | Notice deposit | 24 676 960 | 18 598 079 |
| ABSA | 90 8877 0478 | Redemption Fund | 2 100 009 | 1 999 925 |
| Sanlam | | Shares Investment | 190 437 | 141 864 |
| Less: Provision for impairment | | | (430 224) | (430 224) |
| | | | <hr/> | <hr/> |
| | | | 26 967 406 | 20 739 868 |
| | | | <hr/> | <hr/> |

24 PROPERTY TAXES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State

Less: Rebates

Total Assessment Rates

| | |
|------------|-------------|
| 59 515 681 | 49 680 040 |
| <hr/> | <hr/> |
| 59 515 681 | 49 680 040 |
| <hr/> | <hr/> |
| (842 679) | (2 073 423) |
| <hr/> | <hr/> |
| 58 673 002 | 47 606 616 |
| <hr/> | <hr/> |

Valuations - 1 JULY 2013

Rateable Land and Buildings

Residential

Business & Commercial

Public benefit Organizations

State-owned

Agricultural

Other

Total Assessment Rates

| 2014 R | 2013 R |
|-------------------|-------------------|
| 4 504 919 300 | 3 869 478 500 |
| 1 155 116 000 | 704 819 000 |
| 119 162 500 | 227 207 500 |
| 350 921 500 | 132 607 000 |
| 7 980 832 500 | 4 050 564 500 |
| 238 314 500 | 229 646 000 |
| <hr/> | <hr/> |
| 14 349 266 300 | 9 214 322 500 |
| <hr/> | <hr/> |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential

- The first R15 000 on the valuation is exempted.

- A further R85 000 on the valuation are exempt from property rates for all those households earning less than R4 501. (This exemption is also applicable to persons older than 60 and earning between R4 501 and R6 001).

Rates:

Residential

Commercial

Agricultural

| | |
|-----------|----------|
| 0.650 c/R | 0.68 c/R |
| 1.450 c/R | 1.36 c/R |
| 0.137 c/R | 0.17 c/R |

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 25 | GOVERNMENT GRANTS AND SUBSIDIES | 2014 R | 2013 R |
|--------------|--|--------------------|--------------------|
| | Unconditional Grants | 57 262 000 | 53 343 000 |
| | Equitable Share | 57 262 000 | 53 343 000 |
| | Conditional Grants | 97 349 729 | 92 780 243 |
| | EPWP | 1 770 530 | 1 159 737 |
| | National Electrification Program | - | 3 000 000 |
| | Municipal Infrastructure Grant | 24 800 570 | 28 092 338 |
| | MSIG Funds | 857 855 | 940 872 |
| | Finance Management Grant | 1 249 208 | 1 640 849 |
| | Neighbourhood Development Program Grant | 904 | 1 795 824 |
| | Regional Bulk Infrastructure Grant | 5 720 274 | 10 500 000 |
| | Spatial Development Framework | 30 469 | - |
| | Botrivier Development Contribution | 38 889 | - |
| | Public Infrastructure Grant | - | 1 500 000 |
| | Development of Recreational Facilities | - | 144 000 |
| | CDW's | 166 064 | 142 306 |
| | Project Preparation | 69 400 | - |
| | Housing | 52 357 867 | 37 308 218 |
| | Finance Management Support Grant | 600 000 | - |
| | Multi Purpose Bus | 62 102 | - |
| | Thusong Multi Purpose Centre | 2 500 000 | - |
| | Main Roads Subsidy | 74 000 | 108 000 |
| | Library Subsidy | 6 250 740 | 5 671 000 |
| | Impound Facility | 450 000 | - |
| | DBSA GIS | 943 | - |
| | DBSA Local Economic Development | 118 326 | 368 427 |
| | SETA | 231 587 | 408 673 |
| | Total Government Grants and Subsidies | 154 611 729 | 146 123 243 |
| | The municipality does not expect any significant changes to the level of grants | | |
| | Revenue recognised per vote as required by Section 123 (c) of the MFMA | | |
| | Equitable share | 57 262 000 | 53 343 000 |
| | Executive & Council | 1 973 092 | 2 236 356 |
| | Finance & Administration | 89 040 321 | 84 252 460 |
| | Planning & Development | 118 326 | 368 427 |
| | Community & Social Services | 6 150 423 | 5 671 000 |
| | Sport & Recreation | - | 144 000 |
| | Road Transport | 67 566 | 108 000 |
| | | 154 611 729 | 146 123 243 |
| 25.01 | Equitable share | | |
| | Opening balance | - | - |
| | Grants received | 57 262 000 | 53 343 000 |
| | Conditions met - Transferred to revenue | (57 262 000) | (53 343 000) |
| | Conditions still to be met | - | - |
| | The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. | | |
| | All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R420.57 per month (2013: R382.56) | | |
| 25.02 | EPWP | | |
| | Opening balance | 770 530 | 936 267 |
| | Grants received | 1 000 000 | 994 000 |
| | Conditions met - Transferred to revenue | (1 770 530) | (1 159 737) |
| | Conditions still to be met | - | 770 530 |
| | To extend services to communities through a nationally co-ordinated approach. | | |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 25 | GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED) | 2014 R | 2013 R |
|--------------|--|------------------|--------------------|
| 25.03 | National Electrification Program | | |
| | Grants received | - | 3 000 000 |
| | Conditions met - Transferred to revenue | - | (3 000 000) |
| | Conditions still to be met | - | - |
| | To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure, in order to improve the quality of supply. | | |
| 25.04 | Municipal Infrastructure Grant | | |
| | Opening balance | 109 138 | 2 027 476 |
| | Grants received | 24 849 000 | 26 174 000 |
| | Conditions met - Transferred to revenue | (24 800 570) | (28 092 338) |
| | Conditions still to be met | 157 568 | 109 138 |
| | The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld. | | |
| 25.05 | MSIG Funds | | |
| | Opening balance | (140 872) | - |
| | Grants received | 890 000 | 800 000 |
| | Conditions met - Transferred to revenue | (857 855) | (940 872) |
| | Grant expenditure to be recovered | (108 727) | (140 872) |
| | The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems. | | |
| 25.06 | Finance Management Grant | | |
| | Opening balance | (250 792) | (109 943) |
| | Grants received | 1 500 000 | 1 500 000 |
| | Conditions met - Transferred to revenue | (1 249 208) | (1 640 849) |
| | Grant expenditure to be recovered | - | (250 792) |
| | The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld. | | |
| 25.07 | Neighbourhood Development Program Grant | | |
| | Opening balance | 76 904 | 1 872 728 |
| | Conditions met - Transferred to revenue | (904) | (1 795 824) |
| | Grant withheld | (76 000) | - |
| | Conditions still to be met | - | 76 904 |
| | The NDPG is being utilised for development of economic nodes within previously disadvantaged areas. The amount of R76 000 was withheld from the Equitable Share. | | |
| 25.08 | Regional Bulk Infrastructure Grant | | |
| | Opening balance | (1 761 363) | - |
| | Grants received | 7 481 637 | 8 738 637 |
| | Conditions met - Transferred to revenue | (5 720 274) | (10 500 000) |
| | Grant expenditure to be recovered | - | (1 761 363) |
| | The grant is utilised to construct sewerage bulk infrastructure in Grabouw | | |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 25 | GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED) | 2014 R | 2013 R |
|--------------|--|--------------------|------------------|
| 25.09 | Spatial Development Framework | | |
| | Opening balance | 30 469 | 30 469 |
| | Conditions met - Transferred to revenue | (30 469) | - |
| | Conditions still to be met | - | 30 469 |
| | The grant is utilised to develop and update a SDF for the municipality.. | | |
| 25.10 | Botrivier Development Contribution | | |
| | Opening balance | 38 889 | 38 889 |
| | Conditions met - Transferred to revenue | (38 889) | - |
| | Conditions still to be met | - | 38 889 |
| | To obtain a policy for dealing with development applications and the payment of development contributions | | |
| 25.11 | CDW's | | |
| | Opening balance | 144 840 | 98 146 |
| | Grants received | 131 200 | 189 000 |
| | Conditions met - Transferred to revenue | (166 064) | (142 306) |
| | Conditions still to be met | 109 977 | 144 840 |
| | To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators. | | |
| 25.12 | Project Preparation | | |
| | Opening balance | 69 400 | 69 400 |
| | Conditions met - Transferred to revenue | (69 400) | - |
| | Conditions still to be met | - | 69 400 |
| | Development of project plans. | | |
| 25.13 | Housing | | |
| | Opening balance | (224 881) | 1 484 615 |
| | Grants received | 46 377 991 | 35 598 721 |
| | Conditions met - Transferred to revenue | (52 357 867) | (37 308 218) |
| | Grant expenditure to be recovered | (6 204 757) | (224 881) |
| | Provide housing to the indigents. | | |
| 25.14 | Financial Support Grant | | |
| | Opening balance | 400 000 | 400 000 |
| | Grants received | 300 000 | - |
| | Conditions met - Transferred to revenue | (600 000) | - |
| | Conditions still to be met | 100 000 | 400 000 |
| | The grant is intended to be utilised for the improvement of financial governance. | | |
| 25.15 | Multi Purpose Bus | | |
| | Opening balance | 62 102 | 62 102 |
| | Conditions met - Transferred to revenue | (62 102) | - |
| | Conditions still to be met | - | 62 102 |
| | The grant is intended to be utilised to purchase a bus. | | |
| 25.16 | Thusong Multi Purpose Centre | | |
| | Opening balance | 2 500 000 | - |
| | Grants received | - | 2 500 000 |
| | Conditions met - Transferred to revenue | (2 500 000) | - |
| | Conditions still to be met | - | 2 500 000 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 25 | GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED) | 2014 R | 2013 R |
|--------------|---|--------------------|-------------------|
| 25.17 | Public Infrastructure Grant | | |
| | Grants received | - | 1 500 000 |
| | Conditions met - Transferred to revenue | - | (1 500 000) |
| | Conditions still to be met | - | - |
| | The grant was utilised to implement the Public Transport Infrastructure Mobility Strategy | | |
| 25.18 | Development of Recreational Facilities | | |
| | Grants received | - | 144 000 |
| | Conditions met - Transferred to revenue | - | (144 000) |
| | Conditions still to be met | - | - |
| | The grant was utilised to develop recreational facilities in the municipal area. | | |
| 25.19 | Main Roads Subsidy | | |
| | Grants received | 74 000 | 108 000 |
| | Conditions met - Transferred to revenue | (74 000) | (108 000) |
| | Conditions still to be met | - | - |
| | The subsidy is utilised for the maintenance of the provincial main roads which runs through the town centres. | | |
| 25.20 | Library Subsidy | | |
| | Grants received | 6 361 000 | 5 671 000 |
| | Conditions met - Transferred to revenue | (6 250 740) | (5 671 000) |
| | Conditions still to be met | 110 260 | - |
| | The subsidy is utilised for the operational costs of libraries which is a provincial function. | | |
| 25.21 | Other Grant Providers | | |
| | Opening balance | 464 762 | 366 973 |
| | Grants received | 681 587 | 874 889 |
| | Conditions met - Transferred to revenue | (800 856) | (777 100) |
| | Conditions still to be met | 345 493 | 464 762 |
| | Various grants were received from other spheres of government (e.g. DBSA and SETA) | | |
| 25.22 | Total Grants | | |
| | Opening balance | 2 289 126 | 7 277 123 |
| | Grants received | 146 908 415 | 141 135 247 |
| | Conditions met - Transferred to revenue | (154 611 729) | (146 123 243) |
| | Grants withheld | (76 000) | |
| | Conditions still to be met/(Grant expenditure to be recovered) | (5 490 187) | 2 289 126 |
| | <u>Disclosed as follows:</u> | | |
| | Unspent Conditional Government Grants and Receipts | 823 297 | 4 667 034 |
| | Unpaid Conditional Government Grants and Receipts | (6 313 484) | (2 377 909) |
| | | (5 490 187) | 2 289 126 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | 2014 R | 2013 R |
|--------------|---|--------------------|--------------------|
| 26 | PUBLIC CONTRIBUTIONS AND DONATIONS | | |
| | Conditional Grants | 1 299 050 | 1 002 578 |
| | HAN - Students | 930 666 | 837 350 |
| | Industrial Development Corporation - Local Economic Development | 368 384 | 165 228 |
| | Total Government Grants and Subsidies | 1 299 050 | 1 002 578 |
| 26.01 | HAN - Students | | |
| | Opening balance | 227 349 | 167 235 |
| | Grants received | 925 329 | 897 464 |
| | Conditions met - Transferred to revenue | (930 666) | (837 350) |
| | Conditions still to be met | 222 011 | 227 349 |
| | The grant gives students from abroad the opportunity to engage with community in upliftment of previously disadvantaged communities projects. | | |
| 26.02 | Industrial Development Corporation - Local Economic Development | | |
| | Opening balance | 634 772 | - |
| | Grants received | - | 800 000 |
| | Conditions met - Transferred to revenue | (368 384) | (165 228) |
| | Conditions still to be met | 266 388 | 634 772 |
| | The grant is for the promotion of local economic development and tourism. | | |
| 26.03 | Total Public Contributions and donations | | |
| | Opening balance | 862 121 | 167 235 |
| | Grants received | 925 329 | 1 697 464 |
| | Conditions met - Transferred to revenue | (1 299 050) | (1 002 578) |
| | Conditions still to be met/(Grant expenditure to be recovered) | 488 400 | 862 121 |
| 27 | SERVICE CHARGES | | |
| | Electricity | 64 593 922 | 60 368 740 |
| | Water | 37 086 939 | 34 904 479 |
| | Refuse removal | 20 722 658 | 18 459 864 |
| | Sewerage and Sanitation Charges | 19 983 180 | 18 025 288 |
| | Other Service Charges | 145 068 | - |
| | Total Service Charges | 142 531 766 | 131 758 371 |
| 28 | OTHER INCOME | | |
| | Plot Rental | 36 448 | 69 271 |
| | Building Plan fees | 1 537 976 | 1 549 974 |
| | Cemetery fees | 476 821 | 439 931 |
| | Valuation Certificates | 221 314 | 181 499 |
| | Vehicle Registration fees | 523 611 | 360 268 |
| | Sundry income | 1 677 420 | 904 811 |
| | Total Other Income | 4 473 590 | 3 505 755 |
| 29 | FAIR VALUE ADJUSTMENTS | | |
| | Unamortised Discount - Interest | 4 524 | 1 211 |
| | Investment Property | 28 138 564 | 22 515 624 |
| | | 28 143 088 | 22 516 835 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 30 | | 2014 R | 2013 R |
|----|---|--------------------|--------------------|
| | EMPLOYEE RELATED COSTS | | |
| | Salaries | 77 935 456 | 72 041 528 |
| | Overtime | 2 990 667 | 2 143 598 |
| | Standby Allowances | 1 274 794 | 1 055 139 |
| | Transport Allowance | 5 062 642 | 4 745 827 |
| | Housing Subsidy | 510 780 | 540 313 |
| | Other Allowance | 993 843 | 453 595 |
| | Bonus | 6 686 810 | 5 483 785 |
| | Group Insurance | 1 456 593 | 1 485 411 |
| | Medical Aid Contribution | 3 772 411 | 3 355 215 |
| | Pension Fund Contribution | 13 182 611 | 11 968 813 |
| | Unemployment Fund | 734 656 | 669 709 |
| | Leave Reserve Fund | 1 328 584 | (1 657 061) |
| | Workmens Compensation Contributions | 873 150 | 210 089 |
| | Contribution to provision - Long Service Awards | 606 655 | 542 491 |
| | Contribution to provision - Post Retirement Medical | 1 948 763 | 2 105 785 |
| | Post Retirement Finance Charges | 3 062 275 | 2 563 087 |
| | Total Employee Related Costs | 122 420 691 | 107 707 323 |
| | KEY MANAGEMENT PERSONNEL | | |
| | Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. All other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period. Acting allowances are immaterial. | | |
| | REMUNERATION OF KEY MANAGEMENT PERSONNEL | | |
| | <i>Remuneration of the Municipal Manager - HSD Wallace</i> | | |
| | Annual Remuneration | 1 101 962 | 1 078 086 |
| | Car Allowance | 125 641 | 125 641 |
| | Contributions to UIF, Medical and Pension Funds | 90 472 | 32 656 |
| | Performance Bonuses | 148 736 | 127 383 |
| | Total | 1 466 811 | 1 363 766 |
| | <i>Remuneration of the Director Technical Services - C van Heerder</i> | | |
| | Annual Remuneration | 983 272 | 936 825 |
| | Car Allowance | 120 000 | 120 000 |
| | Contributions to UIF, Medical and Pension Funds | 23380.98 | |
| | Performance Bonuses | 95 351 | 89 086 |
| | Total | 1 222 005 | 1 145 911 |
| | <i>Remuneration of the Director Corporate Services - J Isaacs</i> | | |
| | Annual Remuneration | 889 353 | 846 270 |
| | Car Allowance | 60 000 | 60 000 |
| | Contributions to UIF, Medical and Pension Funds | 177 300 | 149 738 |
| | Performance Bonuses | 105 946 | 79 188 |
| | Total | 1 232 599 | 1 135 196 |
| | <i>Remuneration of the Director Development Services - MH Gxoyiya</i> | | |
| | Annual Remuneration | 797 464 | 935 872 |
| | Car Allowance | 120 000 | 120 000 |
| | Contributions to UIF, Medical and Pension Funds | 209 189 | 68 289 |
| | Performance Bonuses | 74 162 | |
| | Total | 1 200 815 | 1 124 161 |
| | <i>Remuneration of the Director Financial Services - D Louw (Pro-rata from 1 September 2012,</i> | | |
| | Annual Remuneration | 738 309 | 580 019 |
| | Car Allowance | 108 000 | 90 000 |
| | Contributions to UIF, Medical and Pension Funds | 163 941 | 121 647 |
| | Performance Bonusses | 104 500 | |
| | Total | 1 114 750 | 791 666 |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | |
|-----------|---|-------------------|-------------------|
| 30 | EMPLOYEE RELATED COSTS (CONTINUE) | 2014 R | 2013 R |
| | <i>Remuneration of the Director Operational Services - J Barnard</i> | | |
| | Annual Remuneration | 726 388 | 726 582 |
| | Car Allowance | 62 428 | 62 428 |
| | Contributions to UIF, Medical and Pension Funds | 223 716 | 159 946 |
| | Performance Bonuses | 85 693 | 88 859 |
| | Total | 1 098 225 | 1 037 815 |
| 31 | REMUNERATION OF COUNCILLORS | | |
| | Mayor | 719 382 | 665 116 |
| | Deputy Mayor | 579 638 | 533 849 |
| | Speaker | 579 638 | 535 973 |
| | Mayoral Committee Members | 2 179 176 | 2 014 320 |
| | Councillors | 4 145 297 | 3 660 756 |
| | Total Councillors' Remuneration | 8 203 131 | 7 410 014 |
| | <i>In-kind Benefits</i> | | |
| | The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council. | | |
| | I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act. Disclosure of the remuneration of individual Councillors are considered immaterial. | | |
| | H S D Wallace Municipal Manager | | |
| 32 | DEBT IMPAIRMENT | | |
| | Receivables from exchange and non-exchange transactions - Note 21 | 47 239 932 | 22 703 381 |
| | Total Contribution to Debt Impairment | 47 239 932 | 22 703 381 |
| | The contribution for debt impairment on exchange and non-exchange receivables decreased due to the write-off of old debt in the prior year. However, the prospective implementation of changes to iGRAP1 for non-exchange receivables resulted in the first time recognition for impairment on traffic fines. | | |
| | Impairment of traffic fines included above: Note | 17 038 514 | |
| 33 | DEPRECIATION AND AMORTISATION | | |
| | Property Plant and Equipment | 9 918 791 | 8 108 577 |
| | Capitalised restoration costs | 45 223 | 45 970 |
| | Intangible Assets | 319 564 | 311 803 |
| | Total | 10 283 579 | 8 466 350 |
| 34 | IMPAIRMENTS | | |
| | Property Plant & Equipment (Non-cash generating) | 8 678 050 | 3 269 241 |
| | Capitalised restoration costs (Cash generating assets) | 2 359 | 3 677 |
| | Investment Property (Cash generating assets) | 13 851 629 | 86 571 939 |
| | Total | 22 532 038 | 89 844 857 |
| | The current economic climate with resultant declining property values is the main reason for impairment charges in the previous financial year. | | |
| 35 | FINANCE CHARGES | | |
| | Long-term Liabilities | 11 493 092 | 11 697 860 |
| | Non-current provisions | 1 249 004 | 1 081 962 |
| | Total finance charges | 12 742 096 | 12 779 822 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 36 | BULK PURCHASES | 2014 | 2013 |
|---|--|-------------------|-------------------|
| | | R | R |
| | Electricity | 41 425 690 | 37 759 471 |
| | Water | 8 617 455 | 7 574 900 |
| | Total Bulk Purchases | 50 043 145 | 45 334 371 |
| | | 2014 | 2013 |
| | | R | R |
| 37 | GRANTS AND SUBSIDIES | | |
| | | | |
| | Indigent Subsidies : Escom payments | 823 890 | 782 625 |
| | Total Grants and Subsidies | 823 890 | 782 625 |
| 38 | OPERATING GRANT EXPENDITURE | | |
| | | | |
| | Operating grant expenditure per vote | | |
| | Executive & Council | 2 163 748 | 2 380 831 |
| | Finance & Administration | 36 738 817 | 6 673 397 |
| | Planning & Development | 486 710 | 533 656 |
| | Total Operating grant expenditure | 39 389 275 | 9 587 884 |
| <p>The Housing Grant with is classified under Finance & Administration operating grant expenditure increase due to more top structures that was build within the finanancial year ending 30 June 2014 (R33 768 955) in relation the the amount at year end 30 June 2013 (R4 195 198).</p> | | | |
| 39 | GENERAL EXPENSES | | |
| | | | |
| | Audit Fees | 2 340 193 | 1 835 490 |
| | Bank Charges | 407 529 | 317 938 |
| | Clean and Green Project | 454 592 | 355 109 |
| | Computer charges | 183 617 | 182 222 |
| | Fuel Cost | 4 620 132 | 4 044 153 |
| | Insurance | 819 629 | 995 427 |
| | Legal advice | 912 992 | 354 557 |
| | Material and protective clothing | 1 403 670 | 1 387 654 |
| | Membership fees | 1 164 975 | 971 286 |
| | Postage | 142 047 | 165 903 |
| | Printing and stationery | 730 852 | 591 469 |
| | Quick Wins | 530 192 | 806 993 |
| | Electricity - Escom | 5 776 070 | 5 158 109 |
| | Refuse bags | 462 828 | 513 942 |
| | Sporting programs | - | 144 000 |
| | Skills development levy | 1 013 081 | 919 171 |
| | Telephone | 1 774 307 | 2 342 527 |
| | Training | 1 082 761 | 821 300 |
| | Travel and subsistence | 418 622 | 542 556 |
| | Ward Committee | 302 195 | 195 282 |
| | Water Purification | 1 103 937 | 1 169 983 |
| | Other | 3 040 208 | 2 727 165 |
| | General Expenses | 28 684 429 | 26 542 235 |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | |
|--------------|--|--------------------|
| 40 | CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 | 2013 |
| | CORRECTION OF ERROR IN TERMS OF GRAP 3 | R |
| 40.01 | Property Plant and Equipment | |
| | Balance previously reported | 554 230 172 |
| | Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 709 Caledon, Erf 404 Riviersonderend & Erf 1014 Grabouw previously allocated to IP and now corrected to PPE- Notes 40.02 and 13 | 7 178 000 |
| | Change in Fair Vlaue in term of prior year with specific reference to Erf 709 Caledon- Notes 40.04 and 13 | 37 000 |
| | Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 1-B Caledon & Erf 136-A Caledon previously allocated to PPE and now corrected to IP- Notes 40.02 and 13 | (11 640 542) |
| | Correction of Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.04 and 13 | 6 766 553 |
| | Total | 556 571 183 |
| 40.02 | Investment property | |
| | Balance previously reported | 131 492 025 |
| | Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 709 Caledon, Erf 404 Riviersonderend & Erf 1014 Grabouw previously allocated to IP and now corrected to PPE- Notes 40.01 and 15 | (7 178 000) |
| | Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 1-B Caledon & Erf 136-A Caledon previously allocated to PPE and now corrected to IP- Notes 40.01 and 15 | 11 640 542 |
| | Change in Fair Vlaue in term of prior year with specific reference to Erf 1-B & Erf 136-A Caledon- Notes 40.04 and 15 | 684 236 |
| | Correction Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.04 and 15 | 8 652 961 |
| | Total | 145 291 764 |
| 40.03 | Long-term Receivables | |
| | Balance previously reported | 24 402 |
| | Correction of error - Transfer from receivables from exchange transactions - Note 18 and 40.0f | 975 301 |
| | Correction of error - Transfer from receivables from non-exchange transactions - Note 18 and 40.0f | 4 119 951 |
| | Correction of error - Transfer to receivables from exchange transdactions - Note 1f | (523 980) |
| | Correction of error - Transfer to receivables from non-exchange transdactions - Note 1f | (2 373 330) |
| | Correction of error - Less: Allowance for doubtful debts on non-exchange transactions - Note 18 and 40.0f | (451 321) |
| | Correction of error - Less: Allowance for doubtful debts on non-exchange transactions - Note 18 and 40.0f | (1 746 621) |
| | Total | 24 402 |
| | The transfers between Long-term receivables and exchange and non-exchange receivables is to account for debtors that has debt agreements. | |
| 40.04 | Accumulated Surplus | |
| | Balance previously reported | 460 590 024 |
| | Correction of revaluation of the correction of allocation interms of Investment Property and Property Plant and Equipment- Notes 40.01 and 40.02 | 37 000 |
| | Correction of revaluation of the correction of allocation interms of Investment Property and Property Plant and Equipment- Notes 40.01 and 40.02 | 684 236 |
| | Correction of Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.01 and 15 | 6 766 553 |
| | Correction Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.02 and 15 | 8 652 961 |
| | Correction of 2011/2012 water revenue measured after year end - Note 20 and 40.05 | 1 109 280 |
| | Correction of 2011/2012 Industrial Effluent payment on levy - Note 20 and 40.05 | -617 573 |
| | Total | 477 222 481 |
| 40.05 | Receivables from exchange transactions | |
| | Balance previously reported | 14 518 858 |
| | Correction of prior year water revenue measured after year end - Notes 20 and 40.07 | (209 123) |
| | Correction of 2011/2012 water revenue measured after year end - Note 20 and 40.04 | 1 109 280 |
| | Transfer to long term receivables - restated 2013 - Note 20 and 40.03 | (975 301) |
| | Correction of error - Transfer from long-term receivables transactions - Note 20 and 40.03 | 523 980 |
| | Transfer to long term receivables - restated 2013 - Note 20 and 40.03 | 451 321 |
| | Total | 15 419 014 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | | |
|--------------|--|-------------------|-------------------|
| 40 | CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 (CONTINUE) | 2013 | |
| | | R | |
| 40.06 | Receivables from Non-exchange transactions | | |
| | Balance previously reported | | 9 161 785 |
| | Correction of prior year fines not raised - Notes 21 and 40.07 | | 2 517 906 |
| | Transfer to long term receivables - restated 2013 - Note 21 and 40.03 | | (4 119 951) |
| | Correction of error - Transfer from long-term receivables transactions - Note 21 and 40.03 | | 2 373 330 |
| | Transfer to long term receivables - restated 2013 - Note 21 and 40.03 | | 1 746 621 |
| | Total | | 11 679 691 |
| 40.07 | STATEMENT OF FINANCIAL PERFORMANCE | | |
| | Balance previously reported | | 12 221 045 |
| | Correction of prior year fines levied - Note 21 and 40.06 | | 2 517 906 |
| | Correction of prior year water revenue measured after year end - Notes 20 and 40.05 | | (209 123) |
| | Correction of rent on library building for prior year | | (1 308 354) |
| | Correction of rent on library building for prior year | | 1 308 354 |
| | Total | | 14 529 828 |
| | | 2014 | 2013 |
| 41 | RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS | R | R |
| | Surplus/(Deficit) for the year | 58 354 435 | 14 529 828 |
| | Adjustments for: | | |
| | Donations for Property, Plant and Equipment | (49 500) | - |
| | Depreciation | 9 964 015 | 8 154 547 |
| | Impairments | 22 532 038 | 89 844 857 |
| | Amortisation of Intangible Assets | 319 564 | 311 803 |
| | (Gain) / Loss on disposal of property, plant and equipment | 31 514 | 1 300 370 |
| | Grants received | 147 833 744 | 142 832 711 |
| | Grants withheld from Equitable Share | (76 000) | - |
| | Grants recognised as revenue | (155 910 779) | (147 125 821) |
| | Contribution from/to employee benefits- non current | 5 617 693 | 5 211 363 |
| | Contribution from/to employee benefits - non-current - expenditure incurrec | (1 508 665) | (1 437 747) |
| | Contribution from/to employee benefits - non-current - actuarial losses / gains | 4 016 215 | (1 107 300) |
| | Contribution to employee benefits – current | 8 465 285 | 3 667 891 |
| | Contribution to employee benefits – current - expenditure incurrec | (7 425 360) | (7 138 576) |
| | Fair Value Adjustments - Property, Plant and Equipment | (28 138 564) | (22 515 624) |
| | Contribution to provisions – bad debt | 47 239 932 | 24 139 488 |
| | Impairment written off | (54 084 731) | (11 524 708) |
| | Operating lease income accrued | (47 155) | (169 320) |
| | Changes in Non-current provisions - Unwinding of interest | 1 249 004 | 1 081 962 |
| | Operating Surplus/(Deficit) before changes in working capital | 58 382 686 | 100 055 724 |
| | Changes in working capital | 8 415 865 | (7 497 101) |
| | Increase/(Decrease) in Trade and Other Payables | (276 448) | 16 223 997 |
| | Increase/(Decrease) in Taxes | 3 439 458 | (1 911 675) |
| | (Increase)/Decrease in Inventory | (360 725) | 335 157 |
| | (Increase)/Decrease in Trade Receivables from exchange transactions | 28 852 313 | (15 360 171) |
| | (Increase)/Decrease in Other Receivables from non-exchange transactions | (23 238 732) | (6 784 409) |
| | Cash generated/(absorbed) by operations | 66 798 551 | 92 558 623 |
| 42 | CASH AND CASH EQUIVALENTS | | |
| | Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| | Call Investments Deposits - Note 23 | 26 967 406 | 20 739 868 |
| | Cash Floats - Note 23 | 10 350 | 10 350 |
| | Bank - Note 23 | 11 240 631 | 6 794 698 |
| | Total cash and cash equivalents | 38 218 387 | 27 544 916 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

| | | |
|---|--------------------------|--------------------------|
| Cash and Cash Equivalents - Note 42 | 38 218 387 | 27 544 916 |
| | <u>38 218 387</u> | <u>27 544 916</u> |
| Less: | (10 372 504) | (13 943 289) |
| Unspent Committed Conditional Grants - Note 10 | (823 297) | (4 667 034) |
| Unspent Public Contributions - Note 11 | (488 399) | (862 120) |
| Sinking Fund for repayment of Stock Loans at redemption date- restated 2013 | (8 876 912) | (8 414 134) |
| Less: Unspent loans | (183 896) | - |
| Resources available for working capital requirements | <u>27 845 882</u> | <u>13 601 627</u> |
| Allocated to: | | |
| Capital Replacement Reserve | 6 499 770 | 499 770 |
| Social Contribution Reserve | 55 278 | 55 278 |
| Resources available for working capital requirements | <u>21 290 834</u> | <u>13 046 579</u> |

| | | |
|---|-----------------------|-------------------|
| 44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | 2014 R | 2013 R |
| Long-term Liabilities - Note 3 | 117 064 522 | 112 766 723 |
| Used to finance property, plant and equipment - at cost | (116 880 626) | (112 766 723) |
| | <u>183 896</u> | - |
| Cash set aside for the repayment of long-term liabilities | - | - |
| Cash invested for repayment of long-term liabilities | <u>183 896</u> | <u>-</u> |

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

| | | |
|--|--------------------------|--------------------------|
| 45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED | 2014 R | 2013 R |
| 45.1 Unauthorised expenditure | | |
| Reconciliation of unauthorised expenditure: | | |
| Opening balance | 97 110 750 | 75 618 967 |
| Unauthorised expenditure current year - capita | 4 579 586 | 8 028 531 |
| Unauthorised expenditure current year - operating | 17 588 450 | 89 082 219 |
| Approved by council | (97 110 750) | (75 618 967) |
| Unauthorised expenditure awaiting authorisation | <u>22 168 036</u> | <u>97 110 750</u> |

| Incident | Disciplinary steps/criminal proceedings |
|---------------------------|--|
| Over expenditure on votes | None |

| | 2014 R (Actual) | 2014 R (Budget) | 2014 R (Variance) | 2014 R (Unauthorised) |
|---|--------------------------------|--------------------------------|----------------------------------|--------------------------------------|
| <u>Budget comparison by vote - Unauthorised expenditure current year - operating</u> | | | | |
| Executive & Council | 51 222 804 | 52 131 657 | (908 853) | - |
| Finance & Administration | 106 542 971 | 201 797 211 | (95 254 240) | - |
| Planning & Development | 11 142 995 | 12 346 047 | (1 203 052) | - |
| Community & Social Services | 5 648 726 | 6 186 694 | (537 968) | - |
| Housing | 3 904 994 | 4 463 940 | (558 946) | - |
| Public Safety | 31 777 219 | 15 509 071 | 16 268 148 | 16 268 148 |
| Sport & Recreation | 6 389 138 | 7 418 306 | (1 029 168) | - |
| Environmental Protection | 33 261 | 51 000 | (17 739) | - |
| Waste Management | 25 148 244 | 24 728 045 | 420 199 | 420 199 |
| Waste Water Management | 21 435 957 | 26 243 925 | (4 807 968) | - |
| Road Transport | 25 623 838 | 27 933 991 | (2 310 153) | - |
| Water | 38 859 800 | 37 959 697 | 900 103 | 900 103 |
| Electricity | 52 790 365 | 53 328 481 | (538 116) | - |
| Other | 377 720 | 1 276 688 | (898 968) | - |
| | <u>380 898 033</u> | <u>471 374 753</u> | <u>(90 476 720)</u> | <u>17 588 450</u> |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

45

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.)

| | 2014 R (Actual) | 2014 R (Budget) | 2014 R (Variance) | 2014 R (Unauthorised) |
|--|-----------------------|-----------------------|-------------------------|-----------------------------|
| Budget comparison by vote - Unauthorised expenditure current year - capital | | | | |
| Executive & Council | 3 989 351 | 4 821 541 | (832 190) | - |
| Finance & Administration | 705 340 | 927 550 | (222 210) | - |
| Planning & Development | 2 457 803 | 2 868 942 | (411 139) | - |
| Community & Social Services | 354 018 | 1 473 000 | (1 118 982) | - |
| Housing | 16 661 436 | 12 170 000 | 4 491 436 | 4 491 436 |
| Public Safety | - | - | - | - |
| Sport & Recreation | 3 309 420 | 3 313 330 | (3 910) | - |
| Environmental Protection | - | - | - | - |
| Waste Management | - | - | - | - |
| Waste Water Management | 18 606 653 | 23 618 108 | (5 011 455) | - |
| Road Transport | 5 191 749 | 5 103 599 | 88 150 | 88 150 |
| Water | 8 116 009 | 10 747 047 | (2 631 038) | - |
| Electricity | 3 445 307 | 4 937 120 | (1 491 813) | - |
| | 62 837 087 | 69 980 237 | (7 143 150) | 4 579 586 |

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as the additional provision for doubtful debts of traffic services. The processes in Sect 32 of the MFMA will determine the full reasons for the over-expenditure.

45.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

| | | |
|--|---------------|---------------|
| Opening balance | 73 202 | - |
| Fruitless and wasteful expenditure prior year - restated | - | 73 202 |
| Fruitless and wasteful expenditure current year | - | 536 209 |
| Written off by council | - | (536 209) |
| Fruitless and wasteful expenditure awaiting further action | 73 202 | 73 202 |

| Incident | Disciplinary steps/criminal proceedings | | |
|---|---|---|---------|
| Due to on-going litigation involving the Genadendal community, Cape Agulhas Civils has not been able to complete the Greyton/Genadendal Sewerlink project | None | - | 536 209 |
| 2012/2013 Incorrect calculation of leave pay out | None | - | 73 202 |
| | | - | 609 410 |

45.3 Irregular expenditure

Reconciliation of irregular expenditure:

| | | |
|---|-----------|---------------|
| Opening balance | 91 346 | 8 233 523 |
| Irregular expenditure prior year | - | (756 498) |
| Irregular expenditure prior year | - | 73 165 |
| Irregular expenditure current year | 163 751 | 18 181 |
| Written off by council | (255 097) | (7 477 025) |
| Irregular expenditure awaiting further action | - | 91 346 |

Irregular expenditure awaiting condonement from National Treasury

7 732 122 **7 568 371**

| Incident | Disciplinary steps/criminal proceedings |
|---|---|
| Award made to Contractor with outstanding rates and taxes - 2013/2014 - R73,165 | None |

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.)

| 45.4 | Material Losses | 2014 | 2013 |
|------|--|-------------|-------------|
| | Water distribution losses | | |
| | - Kilolitres purified | 4 802 938 | 4 464 315 |
| | - Kilolitres lost during distribution | 1 071 916 | 672 530 |
| | - Percentage lost during distribution | 22.32% | 15.06% |
| | Electricity distribution losses | | |
| | - Units purchased (Kwh) | 60 899 240 | 58 631 246 |
| | - Units lost during distribution (Kwh) | 2 444 153 | 3 092 625 |
| | - Percentage lost during distribution | 4.01% | 5.27% |

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

| 46.1 | Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS | R | R |
|------|--|------------------|--------------------|
| | Opening balance | - | - |
| | Council subscriptions | 1 293 538 | 926 394 |
| | Amount paid - current year | (1 293 538) | (926 394) |
| | Amount paid - previous years | - | - |
| | Balance unpaid (included in creditors) | - | - |
| 46.2 | Audit fees - [MFMA 125 (1)(b)] | | |
| | Opening balance | - | - |
| | Current year audit fee | 2 340 193 | 1 835 490 |
| | External Audit - Auditor-General | 2 340 193 | 1 835 490 |
| | Amount paid - current year | (2 340 193) | (1 835 490) |
| | Balance unpaid (included in creditors) | - | - |
| 46.3 | VAT - [MFMA 125 (1)(b)] | | |
| | Opening balance | (2 188 759) | (985 717) |
| | Amounts received - current year | 4 528 050 | 4 108 504 |
| | Amounts received - previous years | 2 188 759 | 985 717 |
| | Amounts claimed - current year | (910 929) | (6 014 712) |
| | Amounts paid | (3 316 877) | (255 415) |
| | Correction of error | | (27 136) |
| | Closing balance - Receivable | 300 244 | (2 188 759) |
| | VAT | (135 512) | 3 303 947 |
| | Vat in suspense due to cash basis of accounting | | |
| | Input VAT | 8 035 148 | 15 024 628 |
| | Output VAT | (8 170 659) | (11 720 681) |
| | Receivable | (135 512) | 3 303 947 |
| | VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date. | | |
| 46.4 | PAYE, SDL and UIF - [MFMA 125 (1)(b)] | | |
| | Opening balance | - | - |
| | Current year payroll deductions and Council Contributions | 16 043 842 | 14 552 484 |
| | Amount paid - current year | (16 043 842) | (14 552 484) |
| | Balance unpaid (included in creditors) | - | - |
| 46.5 | Pension and Medical Aid Deductions - [MFMA 125 (1)(b)] | | |
| | Opening balance | - | - |
| | Current year payroll deductions and Council Contributions | 28 908 704 | 26 196 660 |
| | Amount paid - current year | (28 908 704) | (26 196 660) |
| | Balance unpaid (included in creditors) | - | - |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT.)

46.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

There were no Councillors who had arrear accounts for more than 90 days as at 30 June 2014.

Deviations approved in terms of the Supply Chain Management Policy

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

| | Less than R30,000 | Between R30,001 and R200,000 | Between R200,001 and R2,000,000 | More than R2,000,001 |
|----------------------|----------------------|------------------------------------|---------------------------------------|-------------------------|
| Executive & Council | 45 180 | - | - | - |
| Corporate Services | 453 352 | 80 437 | 627 192 | - |
| Development Services | 284 871 | 609 976 | - | 2 913 386 |
| Financial Services | 87 861 | 281 955 | 867 769 | - |
| Technical Services | 262 539 | 150 753 | 1 289 479 | - |
| Operations | 2 313 677 | 1 621 074 | 203 638 | - |
| | 3 447 480 | 2 744 195 | 2 988 078 | 2 913 386 |

The major deviations approved are as follows:

| Incident | Amount R |
|--|-------------|
| <i>DFA Solutions - Renewal of Microsoft License Agreement</i> | 361 594 |
| <i>Elster Kent Metering - Supply and Delivery of Pre-paid Water Meters</i> | 867 769 |
| <i>EnviroServ Waste Management - Operation of the Caledon Landfill Site and Transport of Containerised Municipal Solid Waste</i> | 250 000 |
| <i>Itron Metering - Supply and Delivery of Electricity Pre-payment Meters</i> | 640 680 |
| <i>Conlog - Supply and Delivery of Electricity Pre-payment Meters</i> | 398 799 |
| <i>Slanpark / Siteview Roof Rectification Project</i> | 2 913 386 |
| <i>Procurement of Bitmen Products</i> | 203 638 |
| <i>Professional Services: "Collaborator System"</i> | 265 597 |

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Land & Buildings
Infrastructure

Total

This expenditure will be financed from:

External Loans
Government Grants

| 2014 R | 2013 R |
|-------------------|-------------------|
| 40 517 153 | 38 684 248 |
| - | 636 042 |
| 40 517 153 | 38 048 206 |
| 40 517 153 | 38 684 248 |
| 4 133 901 | 5 975 270 |
| 36 383 252 | 32 708 978 |
| 40 517 153 | 38 684 248 |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

47

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year

| | 2014 R | 2013 R |
|--|-----------|-----------|
| The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow: | | |
| 1% (2013 - 0.5%) Increase in interest rates | (788 565) | (426 161) |
| 0.5% (2013 - 0.5%) Decrease in interest rates | 394 282 | 426 161 |

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

The provision for bad debts could be allocated between the different classes of debtors as follows:

| | 2014 % | 2014 R | 2013 % | 2013 R |
|---------------------------------|-----------|-------------|-----------|-------------|
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 34.93% | 37 959 167 | 16.10% | 18 507 746 |
| <u>Exchange Receivables</u> | | | | |
| Services | 65.07% | 70 715 230 | 83.90% | 96 426 134 |
| | 100.00% | 108 674 397 | 100% | 114 933 880 |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

47

FINANCIAL RISK MANAGEMENT (CONTINUED)

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows

| | 2014 R | 2013 R |
|--|-------------------|-------------------|
| Long term receivables | 29 286 | 34 282 |
| Receivables from exchange transactions | 12 277 605 | 15 419 014 |
| Receivables from non-exchange transactions | 4 389 343 | 5 479 532 |
| Cash and Cash Equivalents | 38 218 387 | 27 544 916 |
| | <u>54 914 620</u> | <u>48 477 743</u> |

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

1.15

0.92

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

47

FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|---|-----------------------------|----------------------------------|-----------------------------------|----------------------|
| 2014 | | | | |
| Long Term liabilities - Annuity Loans | 17 229 200 | 64 065 162 | 58 411 839 | 39 042 467 |
| Capital repayments | 6 909 402 | 30 344 464 | 32 555 137 | 30 168 044 |
| Interest | 10 319 798 | 33 720 698 | 25 856 702 | 8 874 423 |
| Long Term liabilities - Stock Loans | 1 597 949 | 6 397 496 | 9 820 484 | 17 116 486 |
| Capital repayments | - | - | 2 553 169 | 14 469 801 |
| Interest | 1 597 949 | 6 397 496 | 7 267 315 | 2 646 685 |
| Long Term liabilities - Finance Lease Liability | 93 066 | - | - | - |
| Capital repayments | 64 505 | - | - | - |
| Interest | 28 561 | - | - | - |
| Provisions - Landfill Sites | - | 30 363 445 | - | - |
| Capital repayments | - | 28 917 567 | - | - |
| Interest | - | 1 445 878 | - | - |
| Trade and Other Payables | 36 084 843 | - | - | - |
| Cash and Cash Equivalents | - | - | - | - |
| | <u>55 005 058</u> | <u>100 826 103</u> | <u>68 232 323</u> | <u>56 158 953</u> |
| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
| 2013 | | | | |
| Long Term liabilities - Annuity Loans | 16 797 423 | 58 724 358 | 53 186 673 | 48 959 264 |
| Capital repayments | 6 936 832 | 26 006 930 | 26 310 010 | 36 383 404 |
| Interest | 9 860 591 | 32 717 428 | 26 876 663 | 12 575 860 |
| Long Term liabilities - Stock Loans | 1 598 272 | 6 004 346 | 9 779 171 | 19 148 898 |
| Capital repayments | - | - | 2 553 169 | 14 469 801 |
| Interest | 1 598 272 | 6 004 346 | 7 226 002 | 4 679 098 |
| Long Term liabilities - Finance Lease Liability | 139 599 | 93 066 | - | - |
| Capital repayments | 42 071 | 64 505 | - | - |
| Interest | 97 528 | 28 561 | - | - |
| Provisions - Landfill Sites | 1 249 004 | 29 114 441 | - | - |
| Capital repayments | - | 24 980 081 | - | - |
| Interest | 1 249 004 | 4 134 360 | - | - |
| Trade and Other Payables | 36 065 863 | - | - | - |
| Cash and Cash Equivalents | - | - | - | - |
| | <u>55 850 161</u> | <u>93 936 211</u> | <u>62 965 844</u> | <u>68 108 162</u> |

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| 48 | FINANCIAL INSTRUMENTS | | 2014 R | 2013 R |
|------|--|---|--------------------|--------------------|
| | In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: | | | |
| | The fair value of financial instruments approximates the amortised costs as reflected below. | | | |
| 48.1 | Financial Assets | Classification | | |
| | Long-term Receivables | | | |
| | Officials Housing Loans | Financial instruments at amortised cost | 23 857 | 28 926 |
| | Receivables | | | |
| | Receivables from exchange transactions | Financial instruments at amortised cost | 12 277 605 | 15 419 014 |
| | Receivables from non-exchange transactions | Financial instruments at amortised cost | 4 389 343 | 5 479 532 |
| | Current Portion of Long-term Receivables | | | |
| | Officials Housing Loans | Financial instruments at amortised cost | 5 429 | 5 356 |
| | Short-term Investment Deposits | | | |
| | Call Deposits | Financial instruments at amortised cost | 26 967 406 | 20 739 868 |
| | Bank Balances and Cash | | | |
| | Bank Balances | Financial instruments at amortised cost | 11 240 631 | 6 794 698 |
| | Cash Floats and Advances | Financial instruments at amortised cost | 10 350 | 10 350 |
| | | | 55 944 669 | 50 851 074 |
| | SUMMARY OF FINANCIAL ASSETS | | | |
| | Financial instruments at amortised cost | | 55 944 669 | 50 851 074 |
| | At amortised cost | | 55 944 669 | 50 851 074 |
| 48.2 | Financial Liability | Classification | | |
| | Long-term Liabilities | | | |
| | Annuity Loans | Financial instruments at amortised cost | 93 067 644 | 88 700 566 |
| | Capitalised Lease Liability | Financial instruments at amortised cost | - | 64 505 |
| | Stock Loans | Financial instruments at amortised cost | 17 022 971 | 17 022 971 |
| | Provisions (Non-current and current) | | | |
| | Landfill Sites (Balance previously reported) | Financial instruments at amortised cost | | 24 980 081 |
| | Less: Correction of error - Provisions excluded from Financial Instruments - (GRAP 104.02.(c) | | | (24 980 081) |
| | Payables from exchange transactions | | | |
| | Trade creditors | Financial instruments at amortised cost | 19 156 861 | 23 478 357 |
| | Interest portion of long term liabilities | Financial instruments at amortised cost | 1 308 374 | 1 374 789 |
| | Retentions | Financial instruments at amortised cost | 14 789 954 | 10 270 477 |
| | Sundry Deposits | Financial instruments at amortised cost | 829 655 | 942 240 |
| | Current Portion of Long-term Liabilities | | | |
| | Annuity Loans | Financial instruments at amortised cost | 6 909 402 | 6 936 610 |
| | Capitalised Lease Liability | Financial instruments at amortised cost | 64 505 | 42 071 |
| | | | 153 149 365 | 148 832 585 |
| | SUMMARY OF FINANCIAL LIABILITY | | | |
| | Financial instruments at amortised cost | | 153 149 365 | 148 832 585 |
| 49 | EVENTS AFTER THE REPORTING DATE | | | |
| | There are no events after the reporting date to be reported on. | | | |
| 50 | IN-KIND DONATIONS AND ASSISTANCE | | | |
| | The DBSA provided technical assistance to the Local Economic Development Department. | | | |
| | | | - | - |
| 51 | PRIVATE PUBLIC PARTNERSHIPS | | | |
| | Council has not entered into any private public partnerships during the financial year. | | | |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | | 2014 R | 2013 R |
|-----------|---|-------------------|-------------------|
| 52 | CONTINGENT LIABILITIES | | |
| | The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty of up to R 10 million in terms of section 24G of the Environmental Conservation Act. | Unknown | Unknown |
| | The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is approximately a general 2% increase in remuneration as from October 2009. The Labour Appeals Court ruled in favour of SALGA during the reporting period. | - | Unknown |
| | Mr FJ Coetzee is suing the municipality for alleged negligence in constructing a speed bump, causing flooding to the residence of Mr Coetzee. The municipality's insurance disputes the claim. | | 22 140 |
| | Telkom is suing the municipality for damage to underground cables in Botriver and Villiersdorp due to alleged negligence during excavations. The municipality's insurance disputes the claim. | | 44 085 |

53 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related Party Transactions

| | Rates - Levied 1 Jul 13 - 30 Jun 14 | Service Charges - Levied 1 Jul 13 - 30 Jun 14 | Other - Levied 1 Jul 13 - 30 Jun 14 | Outstanding Balances 30 June 2014 |
|--------------------------------|--|--|--|--|
| Year ended 30 JUNE 2014 | | | | |
| Councillors | 30 623 | 60 006 | - | -22 |
| Carelse G | 2 142 | 6 914 | - | - |
| Cupido A | 829 | 4 758 | - | - |
| De Wet N | 7 449 | - | - | 0 |
| De Wet N | | 4 477 | | (22) |
| De Wet P | 712 | 5 249 | | - |
| Hector M | 943 | 3 730 | | - |
| Hendricks J | 4 572 | 4 494 | | - |
| Nellie J | 166 | 4 544 | | - |
| Nellie J | | | | |
| Papier KI | 1 199 | 6 669 | | - |
| Punt C | 4 007 | 6 255 | | - |
| Sipunzi U | 90 | 3 791 | | - |
| Tshaka M | | 3 791 | | - |
| Vosloo C | 8 515 | 5 334 | | - |
| Senior Management | | | | |
| Barnard J | 6 568 | 5 817 | | (1 887) |

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

53.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

53.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| | R | R |
| 54 Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations | | |
| The following purchases were made where immediate family members are in the service of the State | | |
| <i>Sailing Ships Trading - T/a J&A Elektriese Werke - Electrical Services - Son in law of Deputy Director : Electrical</i> | 357 188 | 458 813 |
| JDFD Transport Services - Transport services - Mother of Denver and Fredericks Damons : Technical Services | 1 590 | 850 |
| Coalition Trading 1317 cc - Construction Services - Spouse of Alison Tobias-Meintjies : Assistant Superintendant Streets and Stormwater | 214 010 | 186 379 |
| Ithuba Industries - Construction Material - Spouse of W. De Morney - Teacher | 567 828 | |
| TWK TV & Video - ICT Services - Son of J Barnard - Director: Operations | 13 124 | |
| Tano Vera - ICT Services - Domestic partner of Nino Hendricks: Manager ICT | 31 894 | 22 663 |
| Villiersdorp Sekuriteit - Security and Monitoring Services - Spouse of C Vosloo: Speaker | 38 623 | 26 200 |
| Umthi Omkhulu Trading - Construction services - Husband of Cashier M Thomas | | 168 305 |
| Finck Attorneys - Legal Services - Spouse of Gail Finck - Senior Clerk Clearances | 2 547 | |
| Greyton repairs - Mechanical Services - Spouse of Gail Groenewald: Administrator Debtors | 42 961 | 21 744 |
| Rosant FV - Construction Services - Parent of C. Bloemfontein - Temporary IT Technician | | 11 970 |
| Suidwes Biltong - Food supplier - Wife of F. du Toit - Deputy Director Electrical | | 990 |
| Groenland Security Services - Security and Monitoring - Spouse of M. Groenewald Senior Administrator Official, PAWC Department of Environmental Affairs | 82 026 | 331 912 |
| Jules Gardening Services - Gardening Services - Wife of M. Gillion - Senior Building Inspector | | 11 411 |
| Petrol & Diesel Enjin Sentrum - Mechanical Services - Spouse of J, Pretorius Chief Clerk Creditors | 336 133 | 67 969 |
| Hendricks Construction - Construction Services - Cousin of A. Hendricks - Head Supply Chain | | 67 650 |
| Marchall Armature Winding - Electrical Services - Spouse of M. Koeglenberg - Councilor | 72 352 | 26 337 |
| Mopstix Cleaning Services - Cleaning Services + Office Material - Spouse of Monroe van Niekerk - Ambulance Medi | 44 800 | |
| Adenco Construction - Construction Services - Parent of H.V. Machimana (Social Worker), B. Skosana (Nurse) and Child of A. Kassner - Teacher | 1 163 951 | |
| WAM Technology - Professional Services - Spouse of S.E.B. Botes - Teacher | 397 994 | |
| Masanda Trading - Construction Services - Spouse of M. Thomas | 327 372 | |
| ABSA Bank - Banking & Financial Services - Spouse of T. Manual - Parlement | 4 847 393 | |
| Aurecon SA - Professional Services - Parent of R Mehlala (CFO: Eastern Cape Arts and Culture Council) and Son of G Saaiman (Auditor General) | 38 478 | |
| | 8 580 264 | 1 403 193 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

Cost

Accumulated Depreciation Charges and Impairment Losses

Carrying Value

| | Opening Balance R | Correction of error R | Additions R | Revaluations | Impairments R | Disposals R | Closing Balance R | Opening Balance R | Correction of error | Additions R | Correction of error | Revaluation Reversal R | Disposals R | Closing Balance R | R |
|---------------------------|----------------------|-----------------------------|-------------------|-------------------|------------------|----------------|----------------------|----------------------|------------------------|------------------|------------------------|------------------------------|----------------|----------------------|--------------------|
| Land and Buildings | 136 551 448 | - | 7 667 831 | 39 202 848 | 8 608 050 | - | 174 814 077 | - | | 981 130 | | (981 130) | - | - | 174 814 077 |
| Land | 41 991 372 | - | 6 882 601 | 1 679 110 | 108 643 | - | 50 444 440 | - | - | 981 130 | - | (981 130) | - | - | 50 444 440 |
| Buildings | 94 560 077 | - | 785 230 | 37 523 738 | 8 499 407 | - | 124 369 637 | - | - | - | - | - | - | - | 124 369 637 |
| Infrastructure | 462 538 674 | - | 52 614 205 | - | - | 136 325 | 515 016 554 | 72 001 591 | - | 7 175 972 | | - | 63 916 | 79 113 647 | 435 902 907 |
| Roads and Storm water | 111 448 682 | - | 5 191 749 | - | - | 136 325 | 116 504 106 | 31 959 507 | - | 2 421 501 | - | - | 63 916 | 34 317 092 | 82 187 015 |
| Electricity Network | 45 813 350 | - | 4 038 358 | - | - | - | 49 851 708 | 8 330 515 | - | 1 084 305 | - | - | - | 9 414 820 | 40 436 887 |
| Sewerage Network | 111 745 470 | - | 18 606 653 | - | - | - | 130 352 123 | 12 615 327 | - | 1 099 757 | - | - | - | 13 715 084 | 116 637 039 |
| Water Network | 123 210 651 | - | 8 116 009 | - | - | - | 131 326 660 | 18 509 601 | - | 2 467 699 | - | - | - | 20 977 300 | 110 349 360 |
| Refuse Removal | 1 538 741 | - | - | - | - | - | 1 538 741 | 139 452 | - | 13 273 | - | - | - | 152 726 | 1 386 015 |
| Housing Infrastructure | 68 781 780 | - | 16 661 436 | - | - | - | 85 443 216 | 447 187 | - | 89 437 | - | - | - | 536 625 | 84 906 591 |
| Community Assets | 1 217 194 | - | - | - | - | - | 1 217 194 | 201 259 | - | 57 459 | | - | - | 258 718 | 958 476 |
| Recreation Grounds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community Halls | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks & Gardens | 1 015 494 | - | - | - | - | - | 1 015 494 | 147 470 | - | 50 740 | - | - | - | 198 210 | 817 284 |
| Cemeteries | 201 699 | - | - | - | - | - | 201 699 | 53 789 | - | 6 719 | - | - | - | 60 508 | 141 191 |
| Lease Assets | 361 600 | - | - | - | - | - | 361 600 | 192 033 | - | 56 789 | | - | - | 248 822 | 112 778 |
| Office Equipment | 361 600 | - | - | - | - | - | 361 600 | 192 033 | - | 56 789 | - | - | - | 248 822 | 112 778 |
| Other Assets | 37 179 233 | - | 2 714 147 | - | 35 000 | 620 694 | 39 237 686 | 8 882 084 | - | 1 682 432 | | - | 143 106 | 10 421 410 | 28 816 276 |
| Vehicles | 3 819 528 | - | - | - | - | 252 080 | 3 567 448 | 623 883 | - | 84 213 | - | - | 25 370 | 682 727 | 2 884 721 |
| Tools & Equipment | 3 778 343 | - | 537 626 | - | - | 5 969 | 4 309 999 | 1 069 119 | - | 357 174 | - | - | 1 612 | 1 424 681 | 2 885 318 |
| Furniture | 1 214 352 | - | 167 328 | - | - | - | 1 381 680 | 419 568 | - | 68 867 | - | - | - | 488 435 | 893 245 |
| Equipment | 3 084 602 | - | 407 335 | - | - | 11 783 | 3 480 154 | 1 327 806 | - | 266 879 | - | - | 2 453 | 1 592 231 | 1 887 923 |
| Special Vehicles | 19 512 009 | - | 377 914 | - | 35 000 | 321 136 | 19 533 787 | 3 494 509 | - | 440 492 | - | - | 97 883 | 3 837 119 | 15 696 668 |
| Tables | 393 949 | - | 16 290 | - | - | - | 410 239 | 139 641 | - | 22 662 | - | - | - | 162 303 | 247 936 |
| Chairs | 709 019 | - | - | - | - | 4 180 | 704 839 | 210 415 | - | 40 502 | - | - | 1 469 | 249 448 | 455 391 |
| Office Equipment | 1 803 028 | - | 335 497 | - | - | 2 456 | 2 136 069 | 699 662 | - | 155 953 | - | - | 1 286 | 854 329 | 1 281 740 |
| Computer Hardware | 2 743 894 | - | 872 157 | - | - | 23 090 | 3 592 962 | 878 668 | - | 237 662 | - | - | 13 034 | 1 103 296 | 2 489 666 |
| Other | 120 510 | - | - | - | - | - | 120 510 | 18 812 | - | 8 028 | - | - | - | 26 840 | 93 669 |
| | 637 848 149 | - | 62 996 183 | 39 202 848 | 8 643 050 | 757 019 | 730 647 110 | 81 276 967 | - | 9 953 781 | | (981 130) | 207 022 | 90 042 596 | 640 604 514 |

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2013

Reconciliation of Carrying Value

| | Cost | | | | | | | Accumulated Depreciation Charges and Impairment Losses | | | | | | | Carrying Value |
|---------------------------|--------------------|------------------|-------------------|-------------------|------------------|------------------|--------------------|--|----------------|------------------|------------------|------------------|----------------|-------------------|--------------------|
| | Opening Balance | Correction of | Additions | Revaluations | Impairment and | Residual Value | Closing Balance | Opening Balance | Correction of | Additions | Correction of | Revaluation | Disposals | Closing Balance | R |
| | R | error - Note | R | | Disposals | Disposals | R | R | error | R | error | Reversal | R | R | |
| | | 40.01 | | | R | R | | | | | | R | R | | |
| | | R | | | | | | | | | | | | | |
| Land and Buildings | 103 800 900 | 2 341 011 | 4 613 192 | 33 372 876 | 7 576 531 | - | 136 551 448 | - | 285 792 | 603 212 | (285 792) | (603 212) | - | - | 136 551 448 |
| Land | 47 062 600 | (3 559 628) | 170 031 | 3 148 900 | 4 830 531 | - | 41 991 372 | - | - | - | - | - | - | - | 41 991 372 |
| Buildings | 56 738 300 | 5 900 640 | 4 443 162 | 30 223 976 | 2 746 000 | - | 94 560 077 | - | 285 792 | 603 212 | (285 792) | (603 212) | - | - | 94 560 077 |
| Infrastructure | 382 528 671 | - | 81 262 969 | - | - | 1 252 966 | 462 538 674 | 66 819 818 | - | 5 851 140 | - | - | 669 368 | 72 001 591 | 390 537 083 |
| Roads and Storm water | 104 118 769 | - | 8 571 122 | - | - | 1 241 209 | 111 448 682 | 30 349 551 | - | 2 268 853 | - | - | 658 897 | 31 959 507 | 79 489 175 |
| Electricity Network | 37 936 317 | - | 7 888 790 | - | - | 11 757 | 45 813 350 | 7 465 122 | - | 875 865 | - | - | 10 471 | 8 330 515 | 37 482 834 |
| Sewerage Network | 90 648 516 | - | 21 096 954 | - | - | - | 111 745 470 | 11 559 634 | - | 1 055 693 | - | - | - | 12 615 327 | 99 130 143 |
| Water Network | 112 964 695 | - | 10 245 956 | - | - | - | 123 210 651 | 16 961 582 | - | 1 548 019 | - | - | - | 18 509 601 | 104 701 049 |
| Refuse Removal | 1 191 613 | - | 347 127 | - | - | - | 1 538 741 | 126 179 | - | 13 273 | - | - | - | 139 452 | 1 399 289 |
| Housing | 35 668 761 | - | 33 113 019 | - | - | - | 68 781 780 | 357 750 | - | 89 437 | - | - | - | 447 187 | 68 334 593 |
| Community Assets | 401 088 | - | 816 105 | - | - | - | 1 217 194 | 180 396 | - | 20 863 | - | - | - | 201 259 | 1 015 935 |
| Recreation Grounds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community Halls | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks & Gardens | 199 389 | - | 816 105 | - | - | - | 1 015 494 | 133 327 | - | 14 144 | - | - | - | 147 470 | 868 024 |
| Cemeteries | 201 699 | - | - | - | - | - | 201 699 | 47 070 | - | 6 719 | - | - | - | 53 789 | 147 910 |
| Lease Assets | 339 000 | - | 22 600 | - | - | - | 361 600 | 138 423 | - | 53 610 | - | - | - | 192 033 | 169 566 |
| Office Equipment | 339 000 | - | 22 600 | - | - | - | 361 600 | 138 423 | - | 53 610 | - | - | - | 192 033 | 169 566 |
| Other Assets | 35 814 974 | - | 1 607 798 | - | - | 243 539 | 37 179 233 | 7 373 913 | - | 1 579 751 | - | - | 71 580 | 8 882 084 | 28 297 149 |
| Vehicles | 3 886 671 | - | - | - | - | 67 144 | 3 819 528 | 553 155 | - | 87 667 | - | - | 16 939 | 623 883 | 3 195 644 |
| Tools & Equipment | 3 285 088 | - | 493 255 | - | - | - | 3 778 343 | 744 803 | - | 324 317 | - | - | - | 1 069 119 | 2 709 223 |
| Furniture | 1 187 426 | - | 26 926 | - | - | - | 1 214 352 | 352 982 | - | 66 586 | - | - | - | 419 568 | 794 784 |
| Equipment | 2 882 996 | - | 201 606 | - | - | - | 3 084 602 | 1 075 466 | - | 252 340 | - | - | - | 1 327 806 | 1 756 796 |
| Special Vehicles | 19 374 222 | - | 263 787 | - | - | 126 000 | 19 512 009 | 3 111 737 | - | 432 264 | - | - | 49 492 | 3 494 509 | 16 017 501 |
| Tables | 371 832 | - | 22 117 | - | - | - | 393 949 | 118 031 | - | 21 610 | - | - | - | 139 641 | 254 308 |
| Chairs | 678 265 | - | 30 754 | - | - | - | 709 019 | 170 764 | - | 39 650 | - | - | - | 210 415 | 498 604 |
| Office Equipment | 1 560 862 | - | 244 562 | - | - | 2 396 | 1 803 028 | 558 897 | - | 141 368 | - | - | 602 | 699 662 | 1 103 365 |
| Computer Hardware | 2 419 102 | - | 324 792 | - | - | - | 2 743 894 | 673 947 | - | 204 721 | - | - | - | 878 668 | 1 865 226 |
| Other | 168 510 | - | - | - | - | 48 000 | 120 510 | 14 131 | - | 9 228 | - | - | 4 547 | 18 812 | 101 697 |
| | 522 884 633 | 2 341 011 | 88 322 664 | 33 372 876 | 7 576 531 | 1 496 505 | 637 848 149 | 74 512 550 | 285 792 | 8 108 577 | (285 792) | (603 212) | 740 948 | 81 276 967 | 556 571 182 |

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2013 | Received during the period | Redeemed written off during the period | Balance at 30 JUNE 2014 |
|--------------------------------|--------|---|------------|----------------------------|----------------------------------|---|----------------------------|
| LONG-TERM LOANS | | | | | | | |
| Stock Loans | | | | | | | |
| DBSABANK - 20 years | 9.29% | Loan No. 102275/4&5 Loan No. 101487/1 | 31/03/2027 | 10 022 971 | - | - | 10 022 971 |
| DBSABANK - 20 year | 9.46% | Electricity Loan No. 101487/4 | 31/12/2024 | 6 873 758 | - | - | 6 873 758 |
| DBSABANK | 9.77% | Admin/Corp/Refuse | 31/12/2019 | 126 242 | - | - | 126 242 |
| Total Long-term Loans | | | | 17 022 971 | - | - | 17 022 971 |
| ANNUITY LOANS | | | | | | | |
| DBSA BANK - 10 year | 10.95% | Infrastructure Programs101178/1 | 30/06/2014 | 1 322 060 | - | 1 322 060 | - |
| DBSA BANK - 10 & 20 year | 10.74% | Loan No. 102807/1 | 30/06/2028 | 9 950 904 | - | 580 837 | 9 370 067 |
| DBSA BANK 10 & 20 year | 11.44% | Loan No. 103108/1 (Mun Buildings) | 30/09/2028 | 9 336 151 | - | 281 054 | 9 055 098 |
| ABSA BANK - 7 year | 11.35% | 11794 | 31/12/2014 | 81 771 | - | 52 997 | 28 775 |
| ABSA BANK -7 year | 11.35% | (Sewerage) 11792 (Electricity, Water, Sewerage)10858/1 | 31/12/2014 | 39 473 | - | 25 582 | 13 890 |
| ABSA BANK - 11 year | 11.14% | (Sewerage)10858/2 | 31/12/2018 | 961 702 | - | 135 065 | 826 636 |
| ABSA BANK - 11 year | 11.14% | (Sewerage)10858/2 | 31/12/2018 | 92 404 | - | 12 978 | 79 427 |
| DBSA BANK - 30 year | 10.05% | (Sewerage) 13050 | 31/12/2013 | 29 058 | - | 29 058 | - |
| DBSA BANK 15 year | 15.30% | (Electricity) 13062 | 31/12/2008 | 3 | - | 3 | - |
| ABSA BANK - 7 year | 11.35% | (Sewerage) 13051 | 31/12/2014 | 19 572 | - | 12 685 | 6 887 |
| ABSA BANK - 7 year | 11.35% | (Sewerage) 13052 | 31/12/2014 | 16 363 | - | 10 605 | 5 758 |
| DBSA BANK -10 year | 16.50% | (Roads) 13298 | 31/12/2009 | (21) | - | (21) | - |
| Sanlam 20 year | 10.00% | 40513100.00% (Sewerage) 104013 (12704/101) (Water Service) | 31/12/2010 | 240 | - | 240 | - |
| ABSA BANK - 8 year | 11.27% | (12704/101) (Water Service) | 31/12/2015 | 185 303 | - | 68 091 | 117 212 |
| ABSA BANK - 8 year | 11.27% | 105021(12705/101) 13343(16.50%) (Electricity) | 31/12/2015 | 76 388 | - | 28 069 | 48 318 |
| DBSA BANK - 20 year | 16.50% | (Electricity) Electricity (15.75%) | 31/12/2019 | 137 264 | - | 13 092 | 124 173 |
| DBSA BANK - 20 year | 15.75% | (13705/102) Network - Elec.(15.00%) | 30/06/2020 | 69 304 | - | 6 007 | 63 297 |
| ABSA BANK - 6 year | 11.44% | (11040/102) | 31/12/2013 | 18 225 | - | 18 225 | - |
| DBSA BANK - 20 year | 9.85% | 103313.1 | 31/03/2029 | 20 669 171 | - | 570 942 | 20 098 228 |
| DBSA BANK - 15 year | 9.97% | 103313.2 | 31/03/2024 | 5 561 054 | - | 296 671 | 5 264 382 |
| DBSA BANK - 10 year | 10.00% | 103313.3 | 31/03/2019 | 758 311 | - | 97 668 | 660 642 |
| DBSA BANK - 7 year | 9.95% | 103313.4 | 31/03/2016 | 2 175 177 | - | 655 778 | 1 519 399 |
| STANDARD BANK-7 year | 11.67% | 72480009 | 31/07/2017 | 731 999 | - | 132 030 | 599 970 |
| STANDARD BANK-10 year | 11.72% | 72479981 | 31/07/2020 | 2 543 185 | - | 227 419 | 2 315 766 |
| DBSA - 20 year | 11.06% | 103817/3 | 31/12/2030 | 10 826 082 | - | 221 158 | 10 604 924 |
| STANDARD BANK-15 year | 12.22% | 272400572 | 30/06/2026 | 7 766 866 | - | 266 669 | 7 500 197 |
| ABSA BANK - 7 year | 10.45% | 406885872 | 30/06/2018 | 2 348 776 | - | 379 302 | 1 969 473 |
| ABSA BANK - 15 year | 10.79% | 40-7908-8994 | 27/06/2027 | 11 444 316 | - | 378 570 | 11 065 746 |
| ABSA BANK - 7 year | 9.42% | 40-7908-9071 | 27/06/2019 | 7 504 627 | - | 981 704 | 6 522 923 |
| ABSA BANK - 7 year | 8.25% | 8259-8788 | 27/06/2019 | 341 246 | - | 46 035 | 295 210 |
| ABSA BANK - 7 year | 8.25% | 8259-9091 | 27/06/2019 | 87 901 | - | 11 858 | 76 043 |
| ABSA BANK - 7 year | 8.25% | 8259-9741 | 27/06/2019 | 542 302 | - | 73 158 | 469 144 |
| ABSA BANK - 7 year | 10.09% | 387230962 | 21/06/2021 | | 3 000 000 | | 3 000 000 |
| ABSA BANK - 10 year | 10.63% | 387230963 | 27/06/2024 | | 8 275 461 | | 8 275 461 |
| Total Annuity Loans | | | | 95 637 176 | 11 275 461 | 6 935 591 | 99 977 046 |
| LEASE LIABILITY | | | | | | | |
| 25 Dell E5520 Laptops | | | | 106 576 | - | 42 071 | 64 505 |
| Total Lease Liabilities | | | | 106 576 | - | 42 071 | 64 505 |
| TOTAL EXTERNAL LOANS | | | | 112 766 723 | 11 275 461 | 6 977 661 | 117 064 522 |

APPENDIX B - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
MUNICIPAL SUB-VOTES CLASSIFICATION

| 2013 Actual Income R | 2013 Actual Expenditure R | 2013 Surplus/ (Deficit) R | | 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|--|-------------------------------|------------------------------------|------------------------------------|
| - | 3 484 912 | (3 484 912) | Admin Housing and Informal Settlements | - | 3 904 994 | (3 904 994) |
| 1 157 389 | 8 441 323 | (7 283 934) | Admin. : Technical Services | 1 051 009 | 9 185 517 | (8 134 508) |
| - | 7 412 283 | (7 412 283) | Admin: Operational Services | - | 7 629 975 | (7 629 975) |
| - | 2 904 224 | (2 904 224) | Admin: Planning and Development | - | 3 600 511 | (3 600 511) |
| 1 563 501 | 143 881 | 1 419 621 | Building Control | 1 543 035 | 221 952 | 1 321 083 |
| 439 931 | 297 682 | 142 249 | Cemeteries | 476 821 | 368 524 | 108 297 |
| - | 334 453 | (334 453) | Civil Protection & Fire Protection | - | 664 263 | (664 263) |
| 4 577 057 | 7 748 404 | (3 171 347) | Council's General Expences | 3 769 040 | 15 777 848 | (12 008 808) |
| 946 099 | 18 619 011 | (17 672 911) | Directorate Corporate Services | 820 651 | 18 629 464 | (17 808 813) |
| 65 153 363 | 48 429 444 | 16 723 919 | Electricity Distribution | 69 845 257 | 52 790 365 | 17 054 892 |
| 51 883 719 | 21 530 033 | 30 353 686 | Financial Services | 59 391 219 | 23 577 843 | 35 813 375 |
| 624 828 | 5 255 575 | (4 630 747) | Human Resources | 231 587 | 6 513 693 | (6 282 106) |
| 533 656 | 3 091 479 | (2 557 823) | IDP / LED | 486 710 | 2 945 248 | (2 458 539) |
| - | 3 673 235 | (3 673 235) | Information Technology | - | 4 117 175 | (4 117 175) |
| - | 1 142 304 | (1 142 304) | Internal Audit | - | 1 324 241 | (1 324 241) |
| - | 2 190 882 | (2 190 882) | Law Enforcement | (49 300) | 2 574 129 | (2 623 429) |
| 5 679 878 | 4 394 911 | 1 284 967 | Library | 5 636 298 | 5 280 202 | 356 096 |
| - | 371 330 | (371 330) | Mechanical Workshop | - | 377 720 | (377 720) |
| 837 350 | 3 721 405 | (2 884 055) | Municipal Manager | 930 666 | 4 147 487 | (3 216 820) |
| - | 760 608 | (760 608) | Nature reserve | - | 799 153 | (799 153) |
| - | 160 795 | (160 795) | Other | - | 234 099 | (234 099) |
| (209 673) | 5 026 045 | (5 235 717) | Parks and Recreation | (335 432) | 5 057 375 | (5 392 807) |
| - | 24 078 | (24 078) | Pollution Control | - | 33 261 | (33 261) |
| 108 000 | 133 045 | (25 045) | Proclaimed Main Roads | 67 566 | 68 815 | (1 248) |
| 17 780 | 1 657 225 | (1 639 445) | Property Manangement | - | 1 259 020 | (1 259 020) |
| 48 431 840 | 3 064 199 | 45 367 641 | Property Rates | 59 215 860 | 5 799 461 | 53 416 398 |
| 22 775 106 | 94 119 683 | (71 344 577) | Property Services | 29 075 154 | 27 049 757 | 2 025 398 |
| (12 183) | 20 640 696 | (20 652 879) | Roads | 77 272 | 22 251 656 | (22 174 384) |
| 19 758 314 | 13 729 435 | 6 028 879 | Sewerage | 21 241 981 | 15 565 752 | 5 676 229 |
| - | 3 416 170 | (3 416 170) | Sewerage Purification | - | 3 662 739 | (3 662 739) |
| 1 805 347 | 2 211 959 | (406 613) | Sewerage Tanker Services | 2 487 601 | 2 207 466 | 280 134 |
| 23 189 686 | 22 245 839 | 943 847 | Solid Waste | 25 516 927 | 25 148 244 | 368 684 |
| 164 645 | 671 052 | (506 408) | Sports Grounds | 20 942 | 532 063 | (511 120) |
| 77 310 825 | 4 195 198 | 73 115 627 | Subsidies and Grants | 82 743 229 | 34 013 314 | 48 729 915 |
| (7 599) | 1 938 | (9 537) | Swimming pool & Camping Site | (17 513) | 548 | (18 061) |
| 164 179 | 3 062 032 | (2 897 854) | Town Planning | 341 739 | 3 116 265 | (2 774 526) |
| 8 077 403 | 8 676 153 | (598 751) | Traffic Services | 30 071 064 | 28 304 728 | 1 766 336 |
| 4 807 819 | 3 391 296 | 1 416 523 | Vehicle Licensing and Testing | 5 195 638 | 3 303 367 | 1 892 271 |
| 37 199 502 | 32 073 715 | 5 125 788 | Water Distribution | 39 417 446 | 38 859 800 | 557 646 |
| 376 977 760 | 362 447 932 | 14 529 829 | Total | 439 252 468 | 380 898 033 | 58 354 435 |
| | | | | | | |

APPENDIX C - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| 2013 Actual Income R | 2013 Actual Expenditure R | 2013 Surplus/ (Deficit) R | | 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------------------|------------------------------------|
| 6 680 545 | 42 221 021 | (35 540 475) | Executive & Council | 5 640 700 | 51 222 804 | (45 582 104) |
| 201 863 668 | 136 701 632 | 65 162 036 | Finance & Administration | 231 587 715 | 106 542 971 | 125 044 744 |
| 2 279 116 | 10 858 841 | (8 579 725) | Planning & Development | 2 371 483 | 11 142 995 | (8 771 512) |
| 6 119 809 | 4 692 593 | 1 427 216 | Community & Social Services | 6 113 119 | 5 648 726 | 464 393 |
| - | 3 484 912 | (3 484 912) | Housing | - | 3 904 994 | (3 904 994) |
| 8 077 403 | 11 362 284 | (3 284 882) | Public Safety | 30 021 764 | 31 777 219 | (1 755 455) |
| (52 627) | 6 459 643 | (6 512 270) | Sport & Recreation | (332 003) | 6 389 138 | (6 721 141) |
| - | 24 078 | (24 078) | Environmental Protection | - | 33 261 | (33 261) |
| 23 189 686 | 22 245 839 | 943 847 | Waste Management | 25 516 927 | 25 148 244 | 368 684 |
| 21 563 660 | 19 357 564 | 2 206 096 | Waste Water Management | 23 729 582 | 21 435 957 | 2 293 625 |
| 4 903 636 | 24 165 037 | (19 261 400) | Road Transport | 5 340 477 | 25 623 838 | (20 283 362) |
| 37 199 502 | 32 073 715 | 5 125 788 | Water | 39 417 446 | 38 859 800 | 557 646 |
| 65 153 363 | 48 429 444 | 16 723 919 | Electricity | 69 845 257 | 52 790 365 | 17 054 892 |
| - | 371 330 | (371 330) | Other | - | 377 720 | (377 720) |
| 376 977 760 | 362 447 932 | 14 529 829 | Total | 439 252 468 | 380 898 033 | 58 354 435 |
| | | | | | | |

APPENDIX D - Unaudited
THEEWATERSKLOOF MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 30 JUNE 2013 | Grants Received | Expenditure during the year Transferred to Revenue | Withheld during the year | Balance 30 JUNE 2014 |
|--|-------------------------|--------------------|---|--------------------------------|-------------------------|
| UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS | | | | | |
| | R | R | R | | R |
| <u>National Government Grants</u> | | | | | |
| Equitable Share | - | 57 262 000 | (57 262 000) | - | - |
| EPWP | 770 530 | 1 000 000 | (1 770 530) | - | - |
| Municipal Infrastructure Grant | 109 138 | 24 849 000 | (24 800 570) | - | 157 568 |
| MSIG Funds | (140 872) | 890 000 | (857 855) | - | (108 727) |
| Finance Management Grant | (250 792) | 1 500 000 | (1 249 208) | - | - |
| Neighbourhood Development Programme Grant | 76 904 | - | (904) | (76 000) | - |
| Regional Bulk Infrastructure Grant (RBIG) | (1 761 363) | 7 481 637 | (5 720 274) | - | (0) |
| Total National Government Grants | (1 196 455) | 92 982 637 | (91 661 341) | (76 000) | 48 841 |
| <u>Provincial Government Grants</u> | | | | | |
| Spatial Development Framework | 30 469 | - | (30 469) | - | - |
| Botrivier Development Contribution | 38 889 | - | (38 889) | - | - |
| CDW's | 144 840 | 131 200 | (166 064) | - | 109 977 |
| Project Preparation | 69 400 | - | (69 400) | - | - |
| Housing | (224 881) | 46 377 991 | (52 357 867) | - | (6 204 757) |
| Multi Purpose Bus | 62 102 | - | (62 102) | - | (0) |
| Thusong Multi Purpose Centre | 2 500 000 | - | (2 500 000) | - | - |
| Main Roads Subsidy | - | 74 000 | (74 000) | - | - |
| Library Subsidy | - | 6 361 000 | (6 250 740) | - | 110 260 |
| Financial Support Grant | 400 000 | 300 000 | (600 000) | - | 100 000 |
| Impound Facility | - | 450 000 | (450 000) | - | - |
| Total Provincial Government Grants | 3 020 819.41 | 53 694 191 | (62 599 531) | - | (5 884 521) |
| <u>Other Grant Providers</u> | | | | | |
| DBSA GIS | 943 | - | (943) | - | - |
| DBSA Local Economic Development | 463 819 | - | (118 326) | - | 345 493 |
| Public Contributions - HAN Students | 227 349 | 925 329 | (930 666) | - | 222 011 |
| Public Contributions - IDC - Local Economic Development | 634 772 | - | (368 384) | - | 266 388 |
| SETA | - | 231 587 | (231 587) | - | - |
| Total Other Grant Providers | 1 326 883 | 1 156 916 | (1 649 907) | - | 833 892 |
| Total | 3 151 247 | 147 833 744 | (155 910 779) | (76 000) | (5 001 788) |

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

| Description | 2013/2014 | | | | | | | 2012/2013 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| Revenue - Standard | | | | | | | | |
| <i>Governance and administration</i> | 197 420 | 8 831 | 206 252 | 237 228 | 30 977 | 115.0% | 120.2% | 209 853 |
| Executive and council | 3 528 | 503 | 4 031 | 4 700 | 669 | 116.6% | 133.2% | 5 414 |
| Budget and treasury office | 189 277 | 3 041 | 192 317 | 201 350 | 9 033 | 104.7% | 106.4% | 177 626 |
| Corporate services | 4 616 | 5 288 | 9 903 | 31 178 | 21 275 | 314.8% | 675.5% | 26 812 |
| <i>Community and public safety</i> | 14 670 | 5 100 | 19 770 | 35 803 | 16 033 | 181.1% | 244.1% | 11 627 |
| Community and social services | 6 841 | 74 | 6 915 | 6 113 | (802) | 88.4% | 89.4% | 6 120 |
| Sport and recreation | (278) | 17 | (261) | (332) | (71) | 127.2% | 119.4% | (53) |
| Public safety | 8 107 | 5 009 | 13 116 | 30 022 | 16 906 | 228.9% | 370.3% | 5 559 |
| Housing | - | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | 7 812 | 116 | 7 928 | 7 712 | (216) | 97.3% | 98.7% | 7 183 |
| Planning and development | 2 922 | (175) | 2 747 | 2 371 | (375) | 86.3% | 81.2% | 2 279 |
| Road transport | 4 890 | 291 | 5 181 | 5 340 | 159 | 103.1% | 109.2% | 4 904 |
| Environmental protection | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | 164 938 | (1 046) | 163 892 | 158 509 | (5 383) | 96.7% | 96.1% | 147 315 |
| Electricity | 70 857 | 3 476 | 74 334 | 69 845 | (4 488) | 94.0% | 98.6% | 65 153 |
| Water | 47 695 | (7 358) | 40 337 | 39 417 | (919) | 97.7% | 82.6% | 37 409 |
| Waste water management | 21 927 | 1 423 | 23 350 | 23 730 | 380 | 101.6% | 108.2% | 21 564 |
| Waste management | 24 459 | 1 413 | 25 872 | 25 517 | (355) | 98.6% | 104.3% | 23 190 |
| <i>Other</i> | - | - | - | - | - | - | - | - |
| Total Revenue - Standard | 384 840 | 13 001 | 397 842 | 439 252 | 41 411 | 110.4% | 114.1% | 375 977 |
| Expenditure - Standard | | | | | | | | |
| <i>Governance and administration</i> | 123 221 | 135 567 | 258 788 | 161 744 | (97 044) | 62.5% | 131.3% | 182 198 |
| Executive and council | 24 826 | 1 374 | 26 200 | 27 555 | 1 356 | 105.2% | 111.0% | 18 882 |
| Budget and treasury office | 45 388 | 26 050 | 71 437 | 64 715 | (6 722) | 90.6% | 142.6% | 29 932 |
| Corporate services | 53 008 | 108 144 | 161 152 | 69 474 | (91 678) | 43.1% | 131.1% | 133 384 |
| <i>Community and public safety</i> | 31 418 | 2 160 | 33 578 | 30 682 | (2 896) | 91.4% | 97.7% | 27 308 |
| Community and social services | 4 631 | 1 556 | 6 187 | 5 649 | (538) | 91.3% | 122.0% | 6 001 |
| Sport and recreation | 7 874 | (446) | 7 428 | 6 389 | (1 039) | 86.0% | 81.1% | 6 460 |
| Public safety | 14 660 | 839 | 15 499 | 14 739 | (760) | 95.1% | 100.5% | 11 362 |
| Housing | 4 253 | 211 | 4 464 | 3 905 | (559) | 87.5% | 91.8% | 3 485 |
| Health | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | 36 642 | 105 | 36 748 | 33 200 | (3 548) | 90.3% | 90.6% | 32 144 |
| Planning and development | 8 032 | 731 | 8 763 | 7 542 | (1 220) | 86.1% | 93.9% | 7 955 |
| Road transport | 28 560 | (626) | 27 934 | 25 624 | (2 310) | 91.7% | 89.7% | 24 165 |
| Environmental protection | 50 | 1 | 51 | 33 | (18) | 65.2% | 66.3% | 24 |
| <i>Trading services</i> | 137 310 | 4 950 | 142 260 | 155 273 | 13 013 | 109.1% | 113.1% | 122 107 |
| Electricity | 59 620 | (6 292) | 53 328 | 52 790 | (538) | 99.0% | 88.5% | 48 429 |
| Water | 34 675 | 3 285 | 37 960 | 38 860 | 900 | 102.4% | 112.1% | 32 074 |
| Waste water management | 22 892 | 3 352 | 26 244 | 21 436 | (4 808) | 81.7% | 93.6% | 19 358 |
| Waste management | 20 124 | 4 604 | 24 728 | 42 187 | 17 459 | 170.6% | 209.6% | 22 246 |
| <i>Other</i> | - | - | - | - | - | - | - | - |
| Total Expenditure - Standard | 328 592 | 142 782 | 471 374 | 380 898 | (90 476) | 80.8% | 115.9% | 363 756 |
| Surplus/(Deficit) for the year | 56 248 | (129 781) | (73 533) | 58 354 | 131 887 | -79.4% | 103.7% | 12 221 |

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 |
|---|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| Revenue by Vote | | | | | | | | |
| Vote 1 - Executive & Council | 5 424 | 1 180 | 6 604 | 6 571 | (32) | 99.5% | 121.2% | 7 518 |
| Vote 2 - Finance & Admin | 109 477 | 10 391 | 119 868 | 147 914 | 28 045 | 123.4% | 135.1% | 125 024 |
| Vote 3 - Planning & Development | 2 922 | (175) | 2 747 | 2 371 | (375) | 86.3% | 81.2% | 2 279 |
| Vote 4 - Community & Social Services | 6 841 | 74 | 6 915 | 6 113 | (802) | 88.4% | 89.4% | 6 120 |
| Vote 5 - Housing | - | - | - | - | - | - | - | - |
| Vote 6 - Public Safety | 8 107 | 5 009 | 13 116 | 30 022 | 16 906 | 228.9% | 370.3% | 5 559 |
| Vote 7 - Sport & Recreation | (278) | 17 | (261) | (332) | (71) | 127.2% | 119.4% | (53) |
| Vote 8 - Environmental Protection | - | - | - | - | - | - | - | - |
| Vote 9 - Waste Management | 24 459 | 1 413 | 25 872 | 25 517 | (355) | 98.6% | 104.3% | 23 190 |
| Vote 10 - Waste Water Management | 21 927 | 1 423 | 23 350 | 23 730 | 380 | 101.6% | 108.2% | 21 564 |
| Vote 11 - Roads Transport | 4 890 | 291 | 5 181 | 5 340 | 159 | 103.1% | 109.2% | 4 904 |
| Vote 12 - Water | 47 695 | (7 358) | 40 337 | 39 417 | (919) | 97.7% | 82.6% | 37 409 |
| Vote 13 - Electricity | 70 857 | 3 476 | 74 334 | 69 845 | (4 488) | 94.0% | 98.6% | 65 153 |
| Vote 14 - Other | 82 519 | (2 740) | 79 779 | 82 743 | 2 964 | 103.7% | 100.3% | 77 311 |
| Total Revenue by Vote | 384 840 | 13 001 | 397 842 | 439 252 | 41 411 | 110.4% | 114.1% | 375 977 |
| Expenditure by Vote to be appropriated | | | | | | | | |
| Vote 1 - Executive & Council | 54 869 | 964 | 55 833 | 55 370 | (463) | 99.2% | 100.9% | 45 942 |
| Vote 2 - Finance & Admin | 43 407 | 117 444 | 160 852 | 68 382 | (92 469) | 42.5% | 157.5% | 128 785 |
| Vote 3 - Planning & Development | 11 702 | 644 | 12 346 | 11 143 | (1 203) | 90.3% | 95.2% | 10 859 |
| Vote 4 - Community & Social Services | 4 631 | 1 556 | 6 187 | 5 649 | (538) | 91.3% | 122.0% | 6 001 |
| Vote 5 - Housing | 4 253 | 211 | 4 464 | 3 905 | (559) | 87.5% | 91.8% | 3 485 |
| Vote 6 - Public Safety | 14 660 | 839 | 15 499 | 31 777 | 16 278 | 205.0% | 216.8% | 11 362 |
| Vote 7 - Sport & Recreation | 7 874 | (446) | 7 428 | 6 389 | (1 039) | 86.0% | 81.1% | 6 460 |
| Vote 8 - Environmental Protection | 50 | 1 | 51 | 33 | (18) | 65.2% | 66.3% | 24 |
| Vote 9 - Waste Management | 20 124 | 4 604 | 24 728 | 25 148 | 420 | 101.7% | 125.0% | 22 246 |
| Vote 10 - Waste Water Management | 22 892 | 3 352 | 26 244 | 21 436 | (4 808) | 81.7% | 93.6% | 19 358 |
| Vote 11 - Roads Transport | 28 560 | (626) | 27 934 | 25 624 | (2 310) | 91.7% | 89.7% | 24 165 |
| Vote 12 - Water | 34 675 | 3 285 | 37 960 | 38 860 | 900 | 102.4% | 112.1% | 32 074 |
| Vote 13 - Electricity | 59 620 | (6 292) | 53 328 | 52 790 | (538) | 99.0% | 88.5% | 48 429 |
| Vote 14 - Other | 21 274 | 17 246 | 38 521 | 34 391 | (4 130) | 89.3% | 161.7% | 4 567 |
| Total Expenditure by Vote | 328 592 | 142 782 | 471 374 | 380 898 | (90 476) | 80.8% | 115.9% | 363 756 |
| Surplus/(Deficit) for the year | 56 248 | (129 781) | (73 533) | 58 354 | 131 887 | -79.4% | 103.7% | 12 221 |

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| Revenue By Source | | | | | | | | |
| Property rates | 60 047 | (599) | 59 448 | 58 673 | (775) | 98.7% | 97.7% | 47 607 |
| Property rates - penalties & collection charges | - | - | - | - | - | - | - | - |
| Service charges | 145 559 | 56 | 145 615 | 142 532 | (3 083) | 97.9% | 97.9% | 131 758 |
| Rental of facilities and equipment | 1 420 | 21 | 1 441 | 1 936 | 495 | 134.4% | 136.4% | 1 409 |
| Interest earned - external investments | 2 200 | - | 2 200 | 2 904 | 704 | 132.0% | 132.0% | 2 407 |
| Interest earned - outstanding debtors | 4 000 | 4 000 | 8 000 | 9 267 | 1 267 | 115.8% | 231.7% | 7 617 |
| Dividends received | - | - | - | - | - | - | - | - |
| Fines | 8 019 | 5 013 | 13 032 | 29 835 | 16 803 | 228.9% | 372.1% | 7 984 |
| Licences and permits | 2 508 | 62 | 2 570 | 2 635 | 65 | 102.5% | 105.1% | 2 626 |
| Agency services | 2 100 | 100 | 2 200 | 2 189 | (11) | 99.5% | 104.2% | 1 957 |
| Transfers recognised - operational | 86 840 | 24 977 | 111 817 | 109 108 | (2 708) | 97.6% | 125.6% | 69 125 |
| Other revenue | 9 296 | (761) | 8 535 | 33 060 | 24 525 | 387.3% | 355.6% | 27 788 |
| Gains on disposal of PPE | - | 205 | 205 | 310 | 105 | 151.1% | #DIV/0! | - |
| Total Revenue (excluding capital transfers and contributions) | 321 989 | 33 073 | 355 062 | 392 450 | 37 388 | 1073.6% | 121.9% | 300 277 |
| Expenditure By Type | | | | | | | | |
| Employee related costs | 127 223 | (267) | 126 957 | 122 421 | (4 536) | 96.4% | 96.2% | 107 707 |
| Remuneration of councillors | 8 502 | (148) | 8 354 | 8 203 | (150) | 98.2% | 96.5% | 7 410 |
| Debt impairment | 13 029 | 11 926 | 24 956 | 47 240 | 22 284 | 189.3% | 362.6% | 22 703 |
| Depreciation & asset impairment | 19 941 | 108 614 | 128 555 | 32 816 | (95 739) | 25.5% | 164.6% | 98 311 |
| Finance charges | 13 731 | (791) | 12 940 | 12 742 | (198) | 98.5% | 92.8% | 12 780 |
| Bulk purchases | 49 824 | (547) | 49 277 | 50 043 | 766 | 101.6% | 100.4% | 45 334 |
| Other materials | - | - | - | - | - | - | - | - |
| Contracted services | 18 300 | (488) | 17 812 | 15 599 | (2 212) | 87.6% | 85.2% | 13 183 |
| Transfers and grants | 850 | - | 850 | 824 | (26) | 96.9% | 96.9% | 783 |
| Other expenditure | 77 192 | 20 268 | 97 461 | 90 669 | (6 792) | 93.0% | 117.5% | 54 236 |
| Loss on disposal of PPE | - | 4 214 | 4 214 | 341 | (3 873) | 8.1% | #DIV/0! | 1 300 |
| Total Expenditure | 328 592 | 142 782 | 471 374 | 380 898 | (90 476) | 330.1% | 115.9% | 363 748 |
| Surplus/(Deficit) | (6 603) | (109 709) | (116 312) | 11 552 | 127 864 | -9.9% | -175.0% | (63 471) |
| Transfers recognised - capital | 62 851 | (20 072) | 42 779 | 46 802 | 4 023 | 109.4% | 74.5% | 78 001 |
| Contributions recognised - capital | - | - | - | - | - | - | - | - |
| Contributed assets | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | 56 248 | (129 781) | (73 533) | 58 354 | 131 887 | -79.4% | 103.7% | 14 530 |

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

| Description | 2013/2014 | | | | | | | 2012/2013 |
|---|-----------------|------------------------------------|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
| | Original Budget | Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| Capital expenditure - Vote | | | | | - | - | - | |
| Multi-year expenditure | | | | | - | - | - | |
| Vote 1 - Executive & Council | - | - | - | - | - | - | - | 1 752 |
| Vote 2 - Finance & Admin | - | - | - | - | - | - | - | 1 630 |
| Vote 3 - Planning & Development | - | - | - | - | - | - | - | 4 445 |
| Vote 4 - Community & Social Services | - | - | - | - | - | - | - | - |
| Vote 5 - Housing | - | - | - | - | - | - | - | 33 113 |
| Vote 6 - Public Safety | - | - | - | - | - | - | - | - |
| Vote 7 - Sport & Recreation | 3 270 | - | 3 270 | 3 270 | (0) | 100.0% | 100.0% | 695 |
| Vote 8 - Environmental Protection | - | - | - | - | - | - | - | - |
| Vote 9 - Waste Management | - | - | - | - | - | - | - | 347 |
| Vote 10 - Waste Water Management | 9 282 | (286) | 8 996 | 8 238 | (758) | 91.6% | 88.8% | 21 097 |
| Vote 11 - Roads Transport | - | - | - | - | - | - | - | 8 296 |
| Vote 12 - Water | 7 746 | 261 | 8 008 | 5 688 | (2 320) | 71.0% | 73.4% | 9 059 |
| Vote 13 - Electricity | - | - | - | - | - | - | - | 7 889 |
| Vote 14 - Other | - | - | - | - | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - |
| Capital multi-year expenditure | 20 298 | (25) | 20 273 | 17 195 | (3 078) | 84.8% | 84.7% | 88 323 |
| Single-year expenditure | | | | | | | | |
| Vote 1 - Executive & Council | 2 754 | 2 068 | 4 822 | 4 099 | (723) | 85.0% | 148.9% | - |
| Vote 2 - Finance & Admin | 928 | - | 928 | 705 | (222) | 76.0% | 76.0% | - |
| Vote 3 - Planning & Development | 183 | 2 686 | 2 869 | 2 458 | (411) | 85.7% | 1343.8% | - |
| Vote 4 - Community & Social Services | 1 100 | 373 | 1 473 | 354 | (1 119) | 24.0% | 32.2% | - |
| Vote 5 - Housing | 29 502 | (17 332) | 12 170 | 16 661 | 4 491 | 136.9% | 56.5% | - |
| Vote 6 - Public Safety | - | - | - | - | - | - | - | - |
| Vote 7 - Sport & Recreation | - | 44 | 44 | 40 | (4) | 91.1% | #DIV/0! | - |
| Vote 8 - Environmental Protection | - | - | - | - | - | - | - | - |
| Vote 9 - Waste Management | - | - | - | - | - | - | - | - |
| Vote 10 - Waste Water Management | 14 252 | 370 | 14 622 | 10 368 | (4 254) | 70.9% | 72.7% | - |
| Vote 11 - Roads Transport | 4 399 | 705 | 5 104 | 5 192 | 88 | 101.7% | 118.0% | - |
| Vote 12 - Water | - | 2 739 | 2 739 | 2 428 | (311) | 88.6% | #DIV/0! | - |
| Vote 13 - Electricity | 179 | 4 758 | 4 937 | 3 445 | (1 492) | 69.8% | 1924.8% | - |
| Vote 14 - Other | - | - | - | - | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - |
| Capital single-year expenditure | 53 296 | (3 589) | 49 707 | 45 751 | (3 956) | 92% | 86% | - |
| Total Capital Expenditure - Vote | 73 594 | (3 614) | 69 980 | 62 947 | (7 034) | 90% | 86% | 88 323 |
| Capital Expenditure - Standard | | | | | - | - | - | |
| <i>Governance and administration</i> | 3 864 | 2 068 | 5 932 | 4 947 | (985) | 83.4% | 128.0% | 3 382 |
| Executive and council | 2 153 | - | 2 153 | 1 645 | (508) | 76.4% | 76.4% | 901 |
| Budget and treasury office | 37 | - | 37 | 4 | (33) | 10.6% | 10.6% | 1 630 |
| Corporate services | 1 675 | 2 068 | 3 743 | 3 298 | (444) | 88.1% | 196.9% | 851 |
| <i>Community and public safety</i> | 33 872 | (16 915) | 16 956 | 20 325 | 3 369 | 119.9% | 60.0% | 33 808 |
| Community and social services | 1 100 | 373 | 1 473 | 354 | (1 119) | 24.0% | 32.2% | - |
| Sport and recreation | 3 270 | 44 | 3 313 | 3 309 | (4) | 99.9% | 101.2% | 695 |
| Public safety | - | - | - | - | - | - | - | - |
| Housing | 29 502 | (17 332) | 12 170 | 16 661 | 4 491 | 136.9% | 56.5% | 33 113 |
| Health | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | 4 399 | 3 391 | 7 790 | 7 507 | (282) | 96.4% | 170.7% | 12 741 |
| Planning and development | - | 2 686 | 2 686 | 2 316 | (371) | 86.2% | #DIV/0! | 4 445 |
| Road transport | 4 399 | 705 | 5 104 | 5 192 | 88 | 101.7% | 118.0% | 8 296 |
| Environmental protection | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | 31 460 | 7 842 | 39 302 | 30 168 | (9 134) | 76.8% | 95.9% | 38 392 |
| Electricity | 179 | 4 758 | 4 937 | 3 445 | (1 492) | 69.8% | 1924.8% | 7 889 |
| Water | 7 746 | 3 001 | 10 747 | 8 116 | (2 631) | 75.5% | 104.8% | 9 059 |
| Waste water management | 23 535 | 83 | 23 618 | 18 607 | (5 011) | 78.8% | 79.1% | 21 097 |
| Waste management | - | - | - | - | - | - | - | 347 |
| Total Capital Expenditure - Standard | 73 594 | (3 614) | 69 980 | 62 947 | (7 034) | 90% | 86% | 88 323 |
| Funded by: | | | | | - | - | - | |
| National Government | 28 925 | (1 445) | 27 480 | 27 434 | (46) | 99.8% | 94.8% | 35 335 |
| Provincial Government | 29 502 | (14 832) | 14 670 | 19 307 | 4 637 | 131.6% | 65.4% | 33 038 |
| District Municipality | - | 62 | 62 | 62 | 0 | 100.0% | #DIV/0! | - |
| Other transfers and grants | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 58 427 | (16 215) | 42 212 | 46 802 | 4 590 | 111% | 80% | 68 373 |
| Public contributions & donations | - | - | - | - | - | - | - | - |
| Borrowing | 7 075 | 6 964 | 14 040 | 8 509 | (5 531) | 60.6% | 120.3% | 5 455 |
| Internally generated funds | 8 093 | 5 636 | 13 729 | 7 635 | (6 093) | 55.6% | 94.4% | 14 495 |
| Total Capital Funding | 73 594 | (3 614) | 69 980 | 62 947 | (7 034) | 90% | 86% | 88 323 |

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CASH FLOWS

| Description | 2013/2014 | | | | | | | 2012/2013 |
|---|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts | | | | | - | - | - | |
| Ratepayers and other | 215 920 | (23 453) | 192 467 | 197 827 | 5 360 | 102.8% | 91.6% | 162 862 |
| Government - operating | 86 840 | 18 488 | 105 328 | 68 675 | (36 653) | 65.2% | 79.1% | 63 449 |
| Government - capital | 62 851 | (16 882) | 45 969 | 79 159 | 33 190 | 172.2% | 125.9% | 79 384 |
| Interest | 6 200 | 4 000 | 10 200 | 12 171 | 1 971 | 119.3% | 196.3% | 10 024 |
| Dividends | - | - | - | - | - | - | - | - |
| Payments | | | | | - | - | - | |
| Suppliers and employees | (281 041) | (19 423) | (300 465) | (277 468) | 22 997 | 92.3% | 98.7% | (209 598) |
| Finance charges | (13 731) | (791) | (14 522) | (12 742) | 1 780 | 87.7% | 92.8% | (12 780) |
| Transfers and Grants | - | (850) | (850) | (824) | 26 | 96.9% | #DIV/0! | (783) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 77 039 | (38 911) | 38 128 | 66 799 | 28 671 | 175.2% | 86.7% | 92 559 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | - | - | - | |
| Receipts | | | | | 57 342 | - | - | |
| Proceeds on disposal of PPE | - | 4 009 | 4 009 | 1 584 | | | | 8 398 |
| Decrease (Increase) in non-current debtors | - | - | - | - | | | | - |
| Decrease (increase) other non-current receivables | - | 5 | 5 | 586 | 580 | 10937.0% | #DIV/0! | 13 |
| Decrease (increase) in non-current investments | - | - | - | - | - | - | - | - |
| Payments | | | | | - | - | - | |
| Capital assets | (73 594) | 3 614 | (69 980) | (62 947) | 7 034 | 89.9% | 85.5% | (88 401) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (73 594) | 7 628 | (65 966) | (60 777) | 5 189 | 92.1% | 82.6% | (79 990) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | - | - | - | |
| Receipts | | | | | - | - | - | |
| Short term loans | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | 7 075 | - | 7 075 | 11 275 | 4 200 | 159.4% | 159.4% | 23 |
| Increase (decrease) in consumer deposits | 250 | (6) | 244 | 354 | 110 | 144.9% | 141.2% | 61 |
| Payments | | | | | 17 113 | - | - | |
| Repayment of borrowing | (8 000) | 989 | (7 011) | (6 978) | 33 | 99.5% | 87.2% | (6 521) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (674) | 983 | 308 | 4 651 | 4 343 | 1508.4% | -689.9% | (6 437) |
| NET INCREASE/ (DECREASE) IN CASH HELD | 2 770 | (30 300) | (27 530) | 10 673 | 38 203 | -38.8% | 385.3% | 6 131 |
| Cash/cash equivalents at the year begin: | 9 028 | 18 517 | 27 545 | 27 545 | (0) | 100.0% | 305.1% | 21 414 |
| Cash/cash equivalents at the year end: | 11 798 | (11 783) | 15 | 38 218 | 42 546 | 253915.5% | 323.9% | 27 545 |